

JPRS 79325

28 October 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2194



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

28 October 1981

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2194

CONTENTS

INTERNATIONAL AFFAIRS

- CEMA Cooperation in Water Management Documented
(PRESSE-INFORMATIONEN, 2 Oct 81)..... 1

GERMAN DEMOCRATIC REPUBLIC

- SED Journal Criticizes Combine Performance
(FRANKFURTER ALLGEMEINE, 3 Sep 81, NEUER WEG, Aug 81)..... 4

West German Commentary
Production, Exports Lag, by Carl-Heinz Janson
Differences Must Be Eliminated, by Karl Bittner, Wolfgang
Ruehle
Consumer Goods Stressed, by Kurt Koopmann

HUNGARY

- Regulations on Leasing the Contracting of Plants and Shops
(MAGYAR KOZLONY, 14 Sep 81)..... 17

Leasing
Enterprise Contracting

- Scope, Significance of Small Businesses Appraised
(Katalin Bossanyi; MAGYARORSZAG, 20 Sep 81)..... 25

POLAND

- Basic Elements of 1982 Socio-Economic Plan Published
(ZYCIE GOSPODARCZE, 20 Sep 81)..... 29

Initial Components of 1982 Draft Plan
Interview With Planning Commission Chief, Zbigniew Madej
Interview

- Need for Price Increases Analyzed
(ZYCIE WARSZAWY, 17 Sep 81)..... 50

INTERNATIONAL AFFAIRS

CEMA COOPERATION IN WATER MANAGEMENT DOCUMENTED

East Berlin PRESSE-INFORMATIONEN in German No 115, 2 Oct 81 pp 5-6

['Facts and figures' feature by Press Office, Chairman, GDR Council of Ministers: "CEMA Cooperation in Water Management"]

[Text] The CEMA countries have in recent years jointly dealt with circa 70 comprehensive scientific and technical projects in water management. The focal point in this has been the long-term availability of water under any conditions and stable supplies in drinking and all-purpose water for the public, industry and agriculture through modest public expenditures and while keeping the water well protected.

Through a division of labor and a concentration of capacities, the water management organs of the CEMA countries are implementing increasingly ambitious R&D tasks that are beyond the capacities of any one of the countries alone. Development time frames can be reduced, and so can be the costs of scientific-technical projects. Other data from other countries also can rapidly be made use of in CEMA.

New methods and procedures were developed, for instance, which make water supplies more readily available. And then we also get scientific data on making rational use of water resources, especially for an economic use of water, and scientific bases for more efficient management and planning in our water management and for protecting water from impurities, which includes water pollution limits. Uniform procedures and technologies for water recycling and sewage treatment and joint standards also must be mentioned.

The CEMA countries have a longtime tradition in their water management cooperation. Since 1962 the heads of the CEMA countries' water management organs have been meeting regularly to discuss matters concerning the water. In mid-September 1981 the 28th conference of this body was held in the GDR. There, a balance-sheet was drawn up on the gains made. For 10 years all countries involved have been working on the implementation of water management tasks contained in the comprehensive CEMA program.

Its centerpiece are such subjects as ensuring drinking and all-purpose water for the public, industry and agriculture over the long run, protection from pollutants, the recovery of waterways, lakes and reservoirs, and the rational organization of water management processes.

The CEMA countries use various forms of cooperation. They range from joint science conferences and colloquies to research trips and instructional presentations--for example on how to counter oil spills--to the exchange of information on scientific-technical, technical-economic and methodological problems. Joint norms and guidelines also have been worked out as the basis for domestic legislation.

An effective means for the CEMA countries' water management cooperation is the international division of labor on standardizing water management equipment, devices and materials. "Intervodoochistka," the international economic association headquartered in Sofia, has been at work on that since 1978. Its main goal is to expand economic and scientific-technical cooperation for developing highly-efficient equipment especially for sewage treatment. A nomenclature was prepared for the main types of equipment.

That there has been more water available in the GDR in recent years is also due to the CEMA countries' science cooperation. That became mainly possible through a more intensive water resources management by means of modern mathematical control procedures. Here we particularly benefit from the Soviet Union's valuable experiences in the modeling of water management processes. That had a lot to do with the fact that in 84 percent of the dams water supplies were raised by circa 10 percent annually, or by 150 million cubic meters. New reservoirs at such dimensions would have cost at least M 1.5 billion.

That our industry managed for the first time in the 1976-1980 Five-Year Plan to accomplish the 32.2 percent increase in our industrial commodity production while water volumes remained the same also was a consequence of the experiences gathered jointly, in particular with the USSR, Hungary and the CSSR, which we have used. That applied especially to introducing sound scientific norms for water consumption, the setting up of intra-plant water cycles, and the sewage recycling in industry. Good cooperation also exists in solving the problems of drainage and ground water control. The results of that activity are reflected in the GDR, among other things, in establishing plans on water management development in the river areas. All five water managements in our republic have such plans.

Many CEMA water management cooperation projects are handled and implemented jointly by two countries. Subsequently they become available to the other partner countries. Our relations with the Soviet Union enjoy a high place value. The USSR Ministry of Land Reclamation & Water Resources made an agreement recently with the GDR Ministry for Environmental Protection & Water Management on scientific-technical cooperation for the 1981-1985 period. This involves mainly the rational water regulation, water protection and creating efficient water construction projects.

We have for many years been already working together with the State Committee for Construction Affairs of the USSR, especially in the field of sewage treatment. Late in 1977 a government agreement was signed between the GDR and the USSR on cooperating on the introduction and application of modern technological procedures and equipment for sewage treatment in big cities and industrial areas. This cooperation saves both partners much time and funds.

The GDR has directly benefited from it especially in setting up its new sewage plant in Berlin-North. Soviet specialists did the project planning for it. The GD contractually acquired a USSR license for a modern sludge treatment procedure which can reduce construction costs by 25 to 30 percent, requires less farm acreage and diminishes construction time frames.

In turn, the GDR helped the USSR in using tubular settling tanks for the first time in the oil removal from drainage. As the productivity, compared with conventional methods, more than doubles through such installations, the tanks, as developed in the GDR, are scheduled to be built in additional Soviet chemical enterprises.

5885

CSO: 2300/23

GERMAN DEMOCRATIC REPUBLIC

SED JOURNAL CRITICIZES COMBINE PERFORMANCE

West German Commentary

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 3 Sep 81 p 13

[Article by "Gz" datelined Berlin, 2 September: "The SED Is Dissatisfied with the Work of the Combines--Functionaries Criticize Enterprise Managements--More Rapid Response to Demand." A translation of the East Berlin NEUER WEG article by Carl-Heinz Janson cited below is published following this commentary]

[Text] Berlin, 2 September. The SED journal NEUER WEG, an SED Central Committee organ "for issues concerning party life," devotes its latest issue almost entirely to the question how the industrial combines established in the last few years can improve their work and more quickly tap the obviously present productivity reserves. In the GDR, the industrial, construction and transportation sectors are concentrated in 157 combines; in addition, this year there will be established 54 "bezirk-[GDR administrative unit] controlled" combines, which will primarily produce consumer goods. According to NEUER WEG, they are to respond quickly to the changes in demand.

The articles in the journal clearly show that the SED is not satisfied with the results achieved so far. In the first 6 months of 1981, 14 combines--one could say only 14--increased their net production by more than 10 percent and attained high rates of growth in labor productivity. Nevertheless, Carl-Heinz Janson, head of the Department for Socialist Economic Planning in the SED Central Committee, stated that there was no reason to be self-satisfied: "There are still combines that lag behind the leading combines--equal starting conditions notwithstanding. Moreover, increased efforts are necessary to meet all the export targets." The combines are urged "more thoroughly to analyze their own reproduction processes."

For a number of years, it has been noted that the number of combines that are again and again singled out for public praise in the SED press is invariably small: Carl Zeiss, Jena; the Schwedt Petrochemical Combine; the Fritz Heckert Machine Building Combine in Karl-Marx-Stadt; a few chemical plants, and of late a number of combines that are concerned with microelectronics. It has been stated that these are the combines "whose general directors combine--under the direction of the party organization--study of the resolutions adopted by the Party and the Government with consistent efforts toward creative implementation of the resolutions."

Regarding the articles in the functionaries' journal, one is struck by the high degree of concern exhibited in regard to the role of the party organization in the enterprises and combines. The SED is not yet satisfied with the political qualifications of a number of comrades. Horst John of the Genthin Detergent Works stated that even though 61 percent "of the combine's nomenclature cadres" had attended a party school, the party-oriented training of the leading cadres must not slacken. According to John, the quality of their administrative work does not sufficiently reflect their professional and political training.

Production, Exports Lag

East Berlin NEUER WEG in German Vol 36 No 16, Aug 81 signed to press 13 Aug 81 pp 625-630

[Article by Carl-Reinz Janson, chief, Department of Socialist Economic Management, SED Central Committee: "Combines are Carrying Out the Economic Strategy"]

[Text] The resolution of the 10th SED Congress to continue through the 1980's the execution of the main task--characterized by the unity of economic and social policy--indicates that the proven Marxist-Leninist policy is being systematically continued for the benefit of the people and for the consistent safeguarding of peace.

The base organizations in the centrally controlled combines in industry and in the construction sector thus are saddled with great political and economic responsibility. Together with the general directors, they must try to bring about in the collectives a marked and lasting increase in performance, in order fully to realize the economic strategy's 10 points of main emphasis. At the 10th Party Congress, comrade Erich Honecker stated: "The dynamic development of the 157 combines, which employ 2.9 million workers, is of crucial importance for the successful economic development of the GDR."^{*}

At the Leipzig Central Committee Seminar, which was attended by the general directors of the centrally controlled combines and by the party organizers of the Central Committee, there took place an intensive performance comparison and an exchange of experience intended to tap additional performance reserves, to make further progress in the best combines and at the same time to bring up all combines to the level of the successful ones.

Good Results in the First Half-Year

By entering into significant commitments such as overfulfillment--on the basis of material economy--of the 1981 economic plan by 3 days' worth of industrial commodity output, the participants in the seminar unanimously demonstrated their firm resolve extensively to support--in collaboration with the trade unions--the workers' initiative toward performance increases in the socialist competition.

* "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" [Report of the SED Central Committee to the 10th SED Congress], Berlin, 1981, p 79.

At the 1981 half-year mark, the workers had already produced excellent results in the socialist competition. The plan target for industrial commodity production was exceeded by the equivalent of 1.9 daily production quotas. Many combines had demonstrably succeeded in making better use of the qualitative factors of economic growth. A greater number of collectives achieved above-average results in regard to increasing commodity and net production, reducing production input and staying within the limits set for production costs.

Nevertheless, in their political work, more and more base organizations proceed from the assumption that there is no reason to be self-satisfied. There still are combines that clearly lag behind the leading combines, identical starting conditions notwithstanding. Moreover, increased efforts will be necessary to meet the export targets. This underscores the necessity for every combine more thoroughly to analyze its own reproduction process and more forcefully to organize the transmission of the experience of the best workers as a great performance reserve. Regarding this task, the starting point is the complex implementation of the 10 points of the economic strategy. The general directors and plant managers should make greater allowance for this in their management activity.

Concrete Application of the 10 Points of Main Emphasis

Wherever this was possible as a result of the management work of the general directors and plant managers and the base organizations' political work with the masses, the combines did not just list the 10 points of main emphasis, but successfully organized their concrete implementation. In these combines, the active consent of the working class and of all working people to the economic strategy formulated by the 10th Party Congress was evident from the tens of thousands of proposals and pledges made during the public discussion concerning the directive on the development of the GDR economy from 1981 to 1985 and the discussion of the 1982 plan.

It is necessary to take full advantage of this initiative so as to establish high plan targets. This calls for a clear fighting position on the part of the base organization. Fighting position--this means above all identification of the directors and of all work collectives with the standards set by the 10th Party Congress. Fighting position--this means optimism and high working morale so as to accelerate and efficiently utilize the scientific-technological advances that influence all of the 10 points of the economic strategy. The advanced combines show that the first step is to set high targets in science and technology, for the performance increases can only be realized through the combine's own contribution to scientific-technological progress. In this regard, the applicable criteria are unerringly set by the international standard.

Consistently Aim for Maximum Performance

The general directors--supported by the base organizations--influence this process with increasing consistency. Thus more and more leaders of base organizations orient themselves in their political-ideological work toward accelerated rates of growth. They have suggested to set down in the task-list scientific-technological and economic targets and target dates commensurate with the top level, in order to concentrate all capacities on tasks yielding the best economic results. The general directors of the combines and all of the plant directors must lead the struggle for top-level results in science and technology. They are in a position

effectively to promote the utilization of young cadres at the focal points of scientific-technological progress and uncompromisingly to fight against tendencies to shirk the responsibility for scientific-technological tasks.

Today, a few months after the 10th Party Congress and the Leipzig Central Committee Seminar, many combines have begun to work in accordance with these new requirements. Wherever the base organizations conduct this struggle as a matter of principle, new reserves are tapped. This was demonstrated by the Party's industrial kreis [GDR administrative unit] administration in the Bitterfeld Chemical Combine VEB. It consistently opposed the view that there were no more performance reserves. As a result, more and more plant collectives are engaged--in collaboration with the research collectives--in introducing in present installations technologies requiring little investment capital. Dynamic performance increase without any increase in the consumption of raw materials and fuel is a key task that must be tackled by every base organization in the combine. In accomplishing this task, maximum refinement of the raw materials and fuel used is of utmost importance. It is the key factor in regard to further performance increases. In the parent plant of the Schwedt Petrochemical Combine, a comprehensive plan has been worked out under the direction of the general director. This plan is based on the assumption that refinement of the production process is a national economic program that concerns every combine and that is closely related to the further development of quality-oriented work. Every workplace can make a contribution to this effort, if clear guidelines on the part of the directors are combined with the ideas of the workers.

Economize on Manpower and Workplaces

For the base organizations in every combine, to meet the requirements of the 1980's means to take up fighting positions for undertaking a comprehensive rationalization of the production process. This is the way to increase labor productivity in an unprecedented degree. It is necessary to apply a broad spectrum of measures, ranging from improvement of work organization to complex automation of production and including systematic application of microelectronics and robot technology. The effectiveness criterion is the degree of manpower and workplace economy realized in improving--with minimum input--work quality and working and living conditions. This process is aided--in equal measure--by the research results and innovator ideas, by the development of the means of rationalization to a high technological level and by the training and advanced training of the working people.

More Industrial Robots in the Next Few Years

In regard to the political-ideological work of the base organizations, one should always bear in mind that today rationalization is largely determined by automation, by the production and utilization of industrial robots. Thus one can understand the objective formulated by the 10th Party Congress, namely by 1985 to produce and employ 40,000 to 45,000 industrial robots, and why this leads to qualitatively new requirements for all combines. This goes above all for the domestic production of means of rationalization and for the reorganization of technologies. A larger number of industrial robots will be operative as early as 1982 and 1983. This will produce a considerable economic effect in regard to improvement of labor productivity during the current five-year plan period. This is one of the consequences of the Leipzig Central Committee Seminar, a consequence which every combine must implement on the basis of central resolutions. The application of microelectronics and

robot technology confronts us with totally new scientific-technological tasks--tasks requiring courage to take risks, creativity in the finding of new solutions, high working morale and socialist cooperation.

As a result of the increased emphasis on rationalization, new standards are emerging in regard to investment policy. For the 10th Party Congress called for a significant increase in the volume of commodity production per M 1,000 of capital investment. This objective will be attained primarily through curtailment of the investment volume and through reduction of the planning and implementation times and of the construction share in every combine. For this reason, it is imperative that the comrades make it clear in their work collectives that there is no room for so-called "big solutions" or demands for increased funds for investment projects. The 10th Party Congress called for increasing production performance accompanied by curtailment of investments.

The economic strategy for the 1980's stipulates production of an increasing quantity of high-quality, well-designed consumer goods. The combines in particular bear great responsibility in this regard. This goes also for those combines that primarily produce capital goods. The base organizations see to it that all material-technical and intellectual capacities are utilized so as to increase the supply of high-quality consumer goods. Unconditional support should be given to the bezirk-controlled industrial combines set up in 1981 with the object of significantly expanding production of the thousand and one little things.

Growth Through Intensively Expanded Reproduction

In their work concerning political-ideological persuasion, the base organizations make allowance for the fact that high growth rates can be insured only by means of intensively expanded reproduction. To this end, it is necessary to make full use of the great insights of the Marxist-Leninist reproduction theory and creatively to apply this theory to management work. This calls for further deepening of the political and economic knowledge of the directors and of all workers. All of the proven forms of Marxist-Leninist training work and production propaganda should be utilized to this end.

The greatest advances have been made in those combines whose general directors--guided by the party organization--combine the study of the party and government resolutions with consistent efforts toward their creative implementation. They do this while at the same time maintaining control, engaging in unsparring performance comparison, further consolidating the political consciousness of the workers and developing a clear fighting position so as to fulfill the plan as a uniform process in the combine. This is how management work should be performed everywhere. Of great significance in this regard is the intensification of the friendship with the Soviet Union--which is based on the total identity of the policy pursued by our party with the policy of the CPSU. Most important is the conscientious accomplishment of all tasks in connection with the economic and scientific-technological cooperation with the Soviet Union.

The Position and Responsibility of the Combines

Through the resolutions adopted at the 10th Party Congress, our party has clearly defined the position and the responsibility of the combines. They represent the

most effective form of organization of socially useful work under the concrete conditions of developed socialism in the GDR. The entire work of the combines is organized with an eye to their national economic responsibility. In this process, science, technology, efficient production and marketing of the products, including foreign trade, are organically interconnected and the production process is uniformly regulated up to the highest processing levels. This includes further increases in the productive capacity of the independently planning and accounting combines.

The Combine Is More Than the Sum Total of Its Enterprises

Experienced general directors see to it that these enterprises are assured of maximum support and that their problems are constructively solved through coordination and consultation with the bezirk and kreis administrations and the regional state organs. In this respect, they always bear in mind that the combine is more than the sum total of its enterprises. The centrally controlled energy of the workers of all the enterprises and plants in the combine produces greater achievements than would be possible through each worker's individual efforts.

Thanks to the advantages of our socialist planned economy, the combine directors are able through prudent management to utilize the workers' productive capacity and initiative more efficiently, as compared to previous forms of economic organization. The bezirk and kreis administrations make a great contribution in this regard. Through their political leadership, they support the combine enterprises and combine administrations in regard to realizing marked performance increases. At the same time, they insure regional rationalization and improvement of the working and living conditions in the region.

Fighting Position Based on Advice of Party Secretaries

Experience has shown that it is profitable for the combine, when the base organizations in all the combine enterprises are unified in their endeavors to attain the plan targets. Regarding the development of such a unified fighting position, the advice of the party secretaries under the chairmanship of the Central Committee party organizer is of great importance. As an advisory organ, he helps the leaders of the combine enterprises' base organizations to draw the right conclusions concerning party work from the econopolitical tasks of the combine. In connection with the execution of the tasks, he transmits the best results obtained and he makes suggestions in regard to the elaboration of the annual fighting programs of the combine enterprises' base organizations.

The Party holds the general directors and the Central Committee party organizers personally accountable for concentrating the work of all directors and work collectives on implementation of the 10 focal points of the economic strategy formulated by the 10th Party Congress. They accomplish this task in collaboration with the SED base organizations and with the membership of the trade unions and of the FDJ [Free German Youth], KDT [Chambers of Technology] and the other social organizations.

For the base organizations, this means that they must further improve their political leadership in accordance with the three main trends named by comrade Erich Honecker at the 10th Party Congress.

Differences Must Be Eliminated

East Berlin NEUER WEG in German Vol 36 No 16, Aug 81 signed to press 13 Aug 81
pp 649-651

[Article by Dr Karl Bittner and Dr Wolfgang Ruehle: "What Can, What Must the Combines Accomplish?"]

[Text] The 10th SED Congress expressed its appreciation of the work of the 157 industrial, construction and transportation combines of our republic. The 2.9 million employees of these combines, including 400,000 scientists, engineers, chemists, economists and other university and technical college cadres, represent a great force which insures continuing performance increases in the 1980's. This force will enable the GDR better to discharge its political responsibility as the cornerstone of socialism and peace in Central Europe.

The Party Congress and the subsequent Central Committee Seminar attended by the general directors of the combines and the Central Committee party organizers made it clear that the economic strategy of the Party and the work of the combines are based on Marxism-Leninism.

Regarding the establishment of the combines, the theoretical point of departure is Marx' statement that the nationalization of production opens up fundamentally new efficiency reserves. Marx refers to the economy that results from concentration of the means of production.¹ He proves that cooperation and "combined work" bring forth new production capacities.² Proceeding from such fundamental considerations, Lenin urged to secure the means for socialist construction, "in order to save labor by means of centralization."³

Great Economic Benefit Through "Combined Work"

This labor-saving "centralization," this "combined work" has proved successful in our country. In 1980 in particular, the combines showed what they are capable of. When in the spring the advanced combines launched a campaign toward exceeding the annual plan target by 2 daily production quotas, quite a few people doubted that this ambitious goal could be attained. But at the end of the year, the annual target had in fact been exceeded by 2.5 daily production quotas and this advance was attained without any marked increase in material input.

The results produced in the first 6 months of 1981 likewise testify to the strength of the combines. Fourteen combines increased both commodity production and net production by over 10 percent and attained high rates of growth in regard to labor productivity.

During this period, the combines developed a crucial element of rationalization: the intra-plant production of means of rationalization. They succeeded in producing M 91 million worth of means of rationalization in excess of the plan target; they accomplished this by concentrating on the efficient production of industrial robots and by raising the technological level of this production process.

This indicates the great extent to which the enforcement of the economic strategy is interconnected with the work and development of these new economic elements.

This strategy is oriented above all toward the development of promising productive forces such as microelectronics, robot technology and other modern processes that create the basic conditions necessary for a more efficient organization of the social reproduction process.

As a form of organization, the combines offer the best conditions--both in regard to the development of the productive forces and in regard to the organization of a relatively unified reproduction process. This applies to a broad range of processes--from the development of new ideas in research and development to production preparation, production, and marketing.

This is an excellent approach and experienced and successful combines have already taken advantage of it and have achieved above-average results.

Exactly what is this approach concerned with? Essentially, the thrust of long-term objectives is to accelerate scientific-technological progress, including the economic utilization of its results.

The general directors of the combines exercise direct control over the research and development capacities, the production of means of rationalization, and the construction departments. Thus they can directly influence crucial scientific-technological research projects and implement them rapidly and efficiently. As a result of the formation of combines, they have at their disposal all the conditions necessary for insuring--via the smooth functioning of marketing research, research and development, and production and marketing--top-level scientific-technological results.

The combines have been set up with the object of fully meeting the demands ensuing from the law of time economy. This law calls for reduction of the entire social labor input. To accomplish this, it is necessary more efficiently to organize and reduce all phases of the reproduction process, i.e. the reproduction cycle as a whole, making sure that no phase is omitted and that all phases are coordinated so as to reduce to a minimum friction-related losses.

This is a task of great economic and--ultimately--political significance. For example, the point in time at which new scientific-technological results are introduced in the production process and thus in the market determines the profit to be realized. And if--to adduce another example--the operating time required for producing a certain article can be reduced from 30 to 28 days, one can increase--with basic assets and labor remaining unchanged--the annual output by 1 monthly production quota and correspondingly raise the productivity.⁴

This indicates the significance of this cycle reduction in regard to the efforts to exceed the plan target by 3 daily production quotas and it shows that the party organizations are well advised to concentrate their political leadership on this problem.

Learning to Operate in Accordance with Economic Criteria

Generally speaking, the party organizations of the combine enterprises should try to insure that everyone--from the general director to the skilled worker--thinks along economic lines and that the work is always measured against economic criteria.

Exchange of experience and performance comparisons are excellent means of accomplishing this. The state leadership is confronted with the task to carry out the performance comparisons and exchange of experience on the basis of economic criteria and to derive from them binding provisions.

Our economic plans are drawn up in conformity with the combine system. This enables us to make objective comparisons as to the efficiency of the respective combine's plan fulfillment. Thus experienced party organizations deliberately place in the foreground of the political work the question concerning the combines' economic benefit and efficiency. For in spite of all the advances in the combines' work, there are differences as to the rate at which the economic strategy is implemented by them. For the most part, the differences are not justified. Elimination of these differences is a significant reserve for future performance increases; it is a crucial aspect of the political control of economic processes.

Performance comparisons made on the basis of economic criteria have yielded interesting information. At present, in some combines the economic results produced for every mark of research input greatly exceed those of the other combines.

A certain combine plans to reduce the annual working time by over 250 working hours per worker, while another combine is satisfied with realizing only a fraction of that amount. Similar differences obtain in regard to increases in labor productivity, utilization of basic assets, manpower-savings in accordance with the Schwedt Model, and other important qualitative indicators of our economic growth.

But the political principle to be enforced by the party organizations reads as follows: Only those workers whose output markedly exceeds the input insure the intensively expanded reproduction of their combine.

Thus it is necessary to disclose such differences, to see to it that no one ignores them and that they are speedily eliminated.

The party organizations should look into the reasons underlying these differences, into their ideological cause. Regarding the science and technology plans, are the directors of state research and development projects satisfied with mediocre results or do they from the outset aim to reach the advanced international standard?

After all, the advantage offered by the combines with their combined work is that they set targets for themselves that exceed the capacities of the individual enterprise. Consequently, the political work aims to insure that this potential is fully utilized. The "Fritz Heckert" Machine Tool Combine in Karl-Marx-Stadt, for example, is drawing up the blueprint for automating an entire machine building enterprise engaged in medium-scale series production. This project is several years ahead of the international standard.

For such revolutionary developments, every combine needs a strategic conception and must develop its own production program.

Such conceptions are also necessary for the advanced processing of the articles produced; this processing is a core element in regard to insuring further above-average performance increases. In regard to more efficient economic management,

it is necessary to turn--through more highly qualified labor--every kilogram of raw material input into greater value, rather than to stop at the level of raw materials and semifinished products, the returns of which are usually not very high.

In this respect in particular, it is necessary to make use of "combined work" and to turn out qualitatively more valuable end products. Who would be better equipped than the combines for developing the most advanced technologies and organizing the production of high-quality goods as a uniform process?

All in all, it is quite clear that development of the productive capacities is a political task that must be solved by the base organization of every combine enterprise.

In order effectively to realize the potential effects, it is necessary to coordinate the work of all of the combine's independently planning and accounting enterprises; they must use their autonomous position so as to adhere to a strategy common to all. Coordinated action on the part of all party forces is an essential precondition in this regard.

The party organizations are confronted with the task in all respects to develop a unified position on the combine's developmental problems--on intensification and rationalization, on investment policy, on the development of all the qualitative factors involved in economic growth; such a position would include a party-oriented approach toward elimination of unjustified performance differences in the enterprises and of the last residues of plant egoism.

The advisory role of the party secretaries represents a standardized way of exchanging their experience, i.e. a way of cooperation commensurate with the conditions of the new economic units.

This Council of Party Secretaries cannot and must not replace the work of the base organizations and their elected leaders. It aims to point out to the party secretaries the focal points of the political work intended to enforce the combine strategy. Thus its recommendations are reflected in the work of the individual base organizations and their leaderships, in the resolutions to be adopted, and in the work done toward implementation of these resolutions. It has proved expedient to hold council discussions in the various base organizations so as to study on the spot the advanced experience gained in party- and people-related work and in the development of exemplary initiatives and at the same time to get to know different intra-plant conditions.

It has also proved expedient to discuss with the general director--within the framework of the Council of Party Secretaries--basic problems concerning combine development and focal points of plan preparation and implementation and--if need be--to obtain information from other leading cadres of the combine.

FOOTNOTES

1. See Marx/Engels, "Werke" [Complete Works], Vol 25, p 89.
2. Ibid., Vol 23, p 345.

3. Lenin, "Werke" [Complete Works], Vol 26, p 102.
4. See "Kombinate im Kampf um die Durchfuehrung der oekonomischen Strategie des X. Parteitages [Combines Engaged in Implementing the Economic Strategy Adopted at the 10th Party Congress], Berlin, 1981, p 56.

Consumer Goods Stressed

East Berlin NEUER WEG in German Vol 36 No 16, Aug 81 signed to press 13 Aug 81 pp 640-642

[Article by Kurt Koopmann, SED Central Committee party organizer; party secretary, Teltow Electronic Components Combine VEB: "Production of High-Quality Consumer Goods Is Also a Concern of Our Combine"]

[Text] To follow the directives of the 10th Party Congress and produce--on the basis of domestic raw materials--more and better consumer goods for the people is a concern of the entire national economy. This means that the producers of capital goods and the subcontracting industry--which includes our Teltow Electronic Building Elements Combine--are called upon to increase--in accordance with their specific production conditions--the assortment of high-quality consumer goods.

Consumer Goods--No "Marginal Phenomenon"

The enterprises of our combine have been producing consumer goods for some time, but these products were no longer in keeping with the combine's technical and technological capacities. Moreover, in the past consumer goods production was considered a "marginal phenomenon"; consequently, in 1979 their share of total commodity output amounted to no more than 2.5 percent. In 1980, the situation remained essentially unchanged.

Consequently, the Council of Party Secretaries discussed this situation. In this discussion, which was attended by management members of the combine leadership's base organization, it became apparent that the combine had no consistent position on its own consumer goods production. Thus the primary task was to make it clear to the entire combine that production of consumer goods is a political task of utmost importance--a task that concerns everyone--and that it is necessary to introduce into the production process products that are of high quality, that influence the international standard and that can be considered advanced in terms of material economy as well.

During this discussion, there arose the idea to produce electronic articles for personal entertainment. For as the sociopolitical measures of our party took effect in every family, many citizens came to be interested in such products. The general director took up this idea; first of all, he called for thorough market research--to be carried out in collaboration with the trade sector; subsequently, he decided to develop cassette recorders at three predetermined price levels and to begin series production in the second half of 1981.

Moreover, upon consultation with the Radio and Television Combine, it was decided to create in our combine's parent enterprise the conditions necessary for taking over from the Zittau Phonotechnik VEB production of the "Granat/Opal" record

player. According to the production plan adopted, the phonograph output volume targeted for this year will far exceed that of the Zittau plant (whose capacities were more restricted).

However, during the production changeover from the Phonotechnik VEB to our combine, the comrades--above all those in the base organization of the parent enterprise--had to deal with attitudes that had an inhibitory effect on the preparations for the new production setup. Obviously, some sectors had not succeeded in making their workers realize the responsibility our combine--the end producer--bears in regard to high-quality consumer goods. As had happened previously in the case of consumer goods production, some directors did not give priority to the tasks in connection with taking over the production of the record player.

Consequently, the Council of Party Secretaries advised the comrades of the parent enterprise's base organization and the management members of the combine leadership's base organization to talk again with the responsible directors and the workers of their sectors and tell them that the production of consumer goods is of equal importance, that it actually is an integral part of the combine's main output. For this reason, each management sector is responsible in equal measure for the production of electronic building elements and for the production of consumer goods.

During the talks with the parent plant's workwomen who are to turn out consumer goods, they showed themselves to be very interested in the new production setup. They expressed their willingness to take an active part in the following words: "To produce consumer goods is a beautiful, rewarding and responsible task. For all of us want to see further increases in the stores' supply of consumer goods. To accomplish this, however, everyone must make a personal contribution. From nothing, one can produce nothing."

Thus it was not difficult to persuade--at the end of 1980--a women's collective of our combine to go for about 4 weeks to the Zittau Phonotechnik VEB to gain production experience. Upon their return, the women declared that by the 10th Party Congress they would produce as many phonographs as the Zittau plant had produced in all of 1980. They exceeded their pledge by 10 units.

But it is not only in the parent plant, but also in the other combine enterprises--e.g. in the Cera Electronics VEB whose end producer is the Lobenstein plant--that the preconditions are being created for the production of high-quality consumer goods.

Results and Conclusions

In regard to its political leadership, the Council of Party Secretaries will continue to pay much attention to the production of consumer goods. The members of the Council of Party Secretaries resolved to recommend to all base organizations:

1. In their political work, to bear in mind the responsibility that the combine--as the end producer--bears in regard to high-quality consumer goods, and to exert increased pressure on those work collectives that are in a position to reduce energy and raw material input and to find new constructive solutions in regard to consumer goods production. It is necessary to produce a creative atmosphere so as

to increase production input, improve the input-output ratio and produce a more tasteful design.

The Council of Party Secretaries considers this an important precondition for gradually replacing--beginning with the 1982 plan--the electronic entertainment articles now being produced by new high-quality products based on microelectronics. To accomplish this, the base organizations must try to promote a more intensive cooperation with the engineers, technicians and designers of the Radio and Television Combine. Only in this way will it be possible to bring about speedy development of new products.

2. As regards the further development of consumer goods production, the base organizations should urge the state directors closely to collaborate with the trade sector, because such cooperation is important for the following two reasons. Firstly: This cooperation enables them to draw further conclusions regarding design, properties, quality and other parameters. Secondly: The collectives obtain first-hand information as to how the people feel about "their product."

To support the political work of the base organizations, the Council of Party Secretaries will thoroughly discuss ideological problems directly related to consumer goods production and work out uniform instructions for the political work involving the combine labor force. In this regard, it is very important to point out the fact that the combine enterprises share the responsibility regarding production of consumer goods.

8760

CSO: 2300/336

REGULATIONS ON LEASING THE CONTRACTING OF PLANTS AND SHOPS

Leasing

Budapest MAGYAR KOZLONY in Hungarian No 54, 14 Sep 81 pp 753-754

[Decree No 29/1981 (IX. 14) of the Council of Ministers On the Leasing of Certain Industrial and Service Units]

Section 1

(1) An economic management organization (point c., Section 685 of the Civil Code) may lease out small-scale type industrial and service units (hereinafter referred to as units) to private persons if the function of those units is to fill a popular need. The branch minister responsible for a given activity has the power to limit the scope of leaseable units.

(2) The lessee may be

- a) an economic association,
- b) an artisan, and also
- c) any person who while presently does not hold a trade license, is in the process of applying for one, and who meets all the necessary conditions to be issued such a license. In such cases, the contract will not enter into effect until the day the trade license is issued.

(3) Persons whose previous lease contracts were terminated for reasons specified under Section 7 (1), may not be granted a lease for a period of 5 years, starting from the date of termination of their contract.

Section 2

(1) In addition to the unit's premises and the area required for their proper use, the lease may also extend to any fixed assets (machines, installations, equipment) which are necessary for their operation.

(2) The lessee may purchase the fixed assets of an economic management organization within the limits prescribed by the statutory provisions.

(3) The economic management organization may also agree with the lessee to provide other conditions, too, that are necessary for the continuation of its activities. (i.e., steady material supply, conveying technical knowledge)

Section 3

(1) The leasing of the unit shall take place in the presence of a public notary, except when there is only one applicant participating in the bidding.

(2) The leasing of the unit must be advertised by the economic management organization by at least 30 days prior to the competitive bidding in either the central or the megye press. Applications for the bidding must be submitted in writing, at which time the applicant must also give proof that he has met the conditions specified under Section 1 (2).

(3) The economic management organization must inform all interested parties about the unit's specifications, its turnover during the previous year, its production value, the book value of its fixed assets, the lowest acceptable amount for rental and any possible additional costs required to secure the contract.

Section 4

The economic management organization must grant the lease contract to the highest bidder. In case of identical bids, the lease contract must go either to the former lessee of the unit, or to the person who is an employee of the economic management organization.

Section 5

(1) The lease contract must be put into writing. The unit must be transferred in accordance with the inventory, simultaneously with the signing of the contract.

(2) The lease contract must especially state

a) the amount of the rental, which is due monthly, in advance, by the 15th day of the month in question, and

b) the duration of the lease, which can be no longer than 5 years at the most.

(3) The amount of the rental may not be reduced.

Section 6

The lessee may neither sublease, nor allow a third party to operate his rented unit or the fixed assets therein.

Section 7

(1) In case an obligation assumed under the lease is not met, the economic management organization may terminate the lease upon at least 15 days prior notice,

effective on the last day of the following month, assuming that the lessee had been given an appropriate deadline and had been warned, in writing, of the possible consequences of defaulting on his contract, and if that deadline has already expired without any results.

(2) The lessee may terminate the lease contract upon at least 15 days prior notice, effective on the last day of the following month, if the economic management organization fails to live up to its obligations as specified in the lease contract. The lessee may also terminate the lease, effective on the last day of the following month, whenever his living conditions undergo such lasting and extensive changes, that he is no longer able to meet his obligations.

(3) The lease contract becomes void:

- a) upon the expiration of the lease period,
- b) upon termination,
- c) if the lessee loses the right to continue operating, and
- d) if the economic association disbands.

(4) Upon discontinuation of the lease, the economic management organization and the lessee must settle any outstanding accounts.

Section 8

In all other matters concerning the leasing of units and fixed assets which are not regulated by this decree, the following laws apply, respectively: the statutory provisions on the leasing of non-residential units, and those regulations of the Civil Code which regulate the leasing of objects.

Section 9

This decree will enter into force on 1 January 1982.

(signed) Gyorgy Aczel
Deputy Premier,
Council of Ministers

Enterprise Contracting

Budapest MAGYAR KOZLONY in Hungarian No 54, 14 Sep 81 pp 754-756

[Decree No 30/1981 (IX. 14) of the Council of Ministers On the Contractual Operation of Certain Enterprise Units]

Section 1

The ruling of this decree shall extend to all state enterprises, and other state management organs, to the enterprise of the social structure, to all cooperative enterprises, to economic associations operating as corporate entities, as well as to all consumers' marketing and supply cooperatives (hereinafter referred to as "enterprises").

Section 2

(1) Enterprise units employing not more than 15 people, which are involved in industrial production, consumer and other services, capital equipment trade and waste collection, may also be operated under a contractual system (hereinafter referred to as "contractual operations").

(2) No unit may be operated under a contractual system, the activities of which are defined by laws, law decrees, cabinet decrees and resolutions as belonging exclusively within the state management organizations; this also applies to public utility enterprise units, the activities of which are listed under Section 31 of Decree No 4/1978 (I. 18) of the Labor Code.

(3) The rules regarding the contractual operation of retail and catering businesses shall be laid down in the orders of the special statutory provision.

Section 3

The contract between the enterprise and the private party undertaking the contractual operation and management of the unit, (hereinafter referred to as "manager"), shall be entered into in accordance with the regulations of civil law. The contract must be put into writing and must remain in effect for not more than 5 years.

Section 4

(1) The enterprise must grant the contract to the bidder submitting the most favorable offer at the publicly announced competitive bidding.

(2) The competitive bidding shall be open only to those who, not later than the start of the bidding, deposit with the enterprise a percentage of the advertised fee as a down payment, in the amount specified by the enterprise.

(3) At the time the contract is signed, the deposit must either be included in the fee or security deposit due (Section 13), or be refunded. At the end of the bidding the down payments of the other participants must be returned.

(4) If the bidder submitting the most favorable offer at the competitive bidding fails to sign the contract within 15 days, he shall lose his deposit.

(5) If the bidder submitting the most favorable offer at the competitive bidding chooses not to sign the contract, then--without holding another competitive bidding--the bidder with the next highest offer may receive the contract.

Section 5

(1) Contracts may only be granted to persons

- a) who are presently on the payroll of the enterprise,
- b) who have the appropriate professional skills, and
- c) who are not barred from employment for reasons specified in the special statutory provision.

(2) The following restrictions apply to the granting of contracts:

- a) No one may be offered a contract who has been sentenced to serve in prison for economic offences, crimes against property or for any other deliberate criminal act;
- b) individuals whose trade license has been revoked by the authorities for reasons other than those specified under a), shall remain ineligible for a period of 3 years, starting from the day the resolution goes into effect;
- c) those individuals whose earlier contract for a contractual operation has been terminated by the enterprise shall remain ineligible for a period of 3 years, starting from the termination of the contract.

(3) The disqualification regulated by paragraph (2) point a), shall continue to apply until the prisoner is freed of the detrimental effects of his criminal past.

(4) Contracts may also be granted to groups consisting of not more than 5 persons, who have decided to form a civil law partnership. In such cases, it is sufficient if only one person possesses the necessary professional skills. The manner in which managerial rights will be exercised shall be laid down in a partnership agreement. The same labor statutes and social insurance regulations apply to the members of the civil law partnership as to its manager.

(5) The manager may not transfer the unit's operational right to anyone else.

Section 6

The manager shall organize and direct (carry out) his production and services on behalf of the enterprise, but shall act independently, on his own responsibility and risk. To cover enterprise expenses and profits, the manager must pay a fee in the amount specified in the contract. This fee may not be reduced while the contract is in effect.

Section 7

(1) The manager must start operating the unit within the period specified in the contract.

(2) In the contract, the enterprise shall assume liability for all damages caused by the unit within its sphere of operation.

(3) The contract must specify the unit's scope of activities; this may be changed only by an amendment to the contract.

Section 8

(1) The enterprise shall make available for use to the manager all the fixed assets that are required to operate the unit.

(2) The manager shall be responsible for protecting and maintaining the said fixed assets, as well as for taking care of all necessary repairs.

(3) The scrapping and replacement of fixed assets which become worn out in the course of proper use, and renovations which fall within the scope of construction services, shall be the responsibility of the enterprise. In the contract, the enterprise may also agree with the manager to assume arising high fixed-asset repair costs--usually in the form of replacing the main piece.

Section 9

(1) The enterprise shall make available to the manager all of the stocks specified in the contract. The manager may choose to purchase those stocks from the enterprise; for the use of stocks which are not purchased, a user's fee shall be paid.

(2) During the period the contract is in effect, the manager shall also be free to use any of the unpurchased stocks at his disposal. All replacements and expansions of worn out and used stocks shall be paid for by the manager at his own expense.

Section 10

(1) During the period the contract is in effect, the manager's employment shall be suspended. From the standpoint of labor law regulations, this period of suspension counts as employment time.

(2) The amount which may be considered as the manager's contribution from his earnings into the social insurance and pension fund, shall be specified in the contract on the basis of the average earnings of workers employed in the same or similar fields.

Section 11

(1) Workers employed by the unit shall be employees of the enterprise.

(2) The number of workers that may be employed by the unit, as well as the top limit on the amount of annual and monthly wages which may be expended in the unit, shall be specified within the contract.

(3) Within the limits prescribed by the enterprise, employer rights shall be exercised by the manager. The enterprise may not transfer its right to hire and fire or to hold employees responsible for disciplinary or financial infractions. If the manager does not wish to continue to employ an employee in his unit, assuming that his request is justified, the enterprise must--within the bounds of the appropriate labor law regulations, and within the time limit required for giving a notice of dismissal--terminate that employee's employment in that unit.

Section 12

All income earned from the operation of the unit--i.e., whatever is left over after he has met all his obligations as defined in the statutory provisions and in the

contract—, shall be at the free disposal of the manager; some of this may be paid out to the workers of the unit even if it means exceeding the wage limit specified in the contract. Such payments may not be considered as wage-like benefits.

Section 13

To guarantee its live claims vis-a-vis the manager, the enterprise may require a security deposit or some other type of collateral obligation (Chapter XXIII., Civil Code) that secures the contract.

Section 14

The manager must pay a tax—including a partnership tax, levied on civil law partnerships—in the amount specified in the special statutory provision.

Section 15

The contract becomes void:

- a) upon the expiration of the term specified in the contract;
- b) upon termination, and
- c) upon the death of the manager.

Section 16

(1) The manager may terminate the contract effective immediately, if as a result of a deterioration of his health he becomes unable to meet the responsibilities he had assumed under the contract.

(2) The manager may terminate the contract on a three months notice, if the enterprise fails to live up to the obligations it had assumed under the contract despite warnings to do so, or whenever his living conditions undergo such lasting and extensive changes that he becomes unable to meet his assumed responsibilities.

(3) The enterprise must terminate the contract, effective immediately, if a circumstance arises which precludes the conclusion of the contract [Section 5, par. (2) and (3)].

(4) The enterprise may terminate the contract, effective immediately, if the manager

- a) fails to begin operating the unit—for reasons attributable to him—by the time specified in the contract;
- b) seriously violates official statutory provisions and regulations that pertain to the operation of the unit, and
- c) fails to meet his payment and tax-payment obligations vis-a-vis the enterprise by the prescribed deadline.

(5) The enterprise may terminate the contract on a three months notice, if despite warnings, the manager fails to live up to his obligations not mentioned in par. (4).

Section 17

(1) Upon the termination of the contract, the parties must settle any outstanding accounts.

(2) The enterprise must repurchase all properly usable and salable stocks.

Section 18

This decree will enter into force on 1 January 1982; its implementation shall be administered by the Minister of Finance and the Minister of Labor.

(signed) Gyorgy Aczel
Deputy Premier,
Council of Ministers

9379

CSO: 2500/18

SCOPE, SIGNIFICANCE OF SMALL BUSINESSES APPRAISED

Budapest MAGYARORSZAG in Hungarian 20 Sep 81 p 24

[Article by Katalin Bossanyi: "Small Businesses--Liberation of Ideas and Strengths, Get Ready on 1 January 1982"]

[Text] Recently, several design engineers living in the provinces established a small cooperative for private housing planning and servicing. Within a short time the profitable business gained the support of builders and councils. The Rackeve Aranykalasz Tsz [producer cooperative] on the other hand organized an innovative office which undertakes to manage inventions and innovations, beginning with market research all the way to marketing itself. Taxi cooperatives and driving schools made up of private automobile owners have been operating for years. Teams of translators and interpreters have been formed. But the most enterprising spirit is flourishing in the public services area and in the computer field. In addition to the rental possibilities, we can witness many kinds of private initiatives in many branches of the tourist and catering trade which are valuable for the national economy. Businesses for the repair, maintenance and cleaning are also increasing in number. In the industrial field work teams of various sizes have begun manufacture of scarce products and the production of spare parts.

Urban Household

And what else is still needed? Housing exchange services, organization and construction of recreation communities, waste recycling, marketing of shelved inventories and their reprocessing, the research to find unused capacities, cooperation partners referrals services energy rationalization, environmental protection tasks, health services, the maintenance of mini-nurseries, and in some cases for baby sitting services. Retired skilled workers who do not wish to be inactive have indicated that they would like to establish a pensioners' cooperative. They rented idle workshops from their former employers along with depreciated machinery and equipment still in functioning condition.

The revival of an enterprise spirit among the citizens which coincides with the interests of society also calls attention to the fact that for industry organizational reasons, incentive and organizational tensions, the small businesses, which are indispensable and capable of rapidly responding to market demands, have withered away. And since there are many tasks which do not pay a large enterprise to organize, the lack of small enterprises and cooperatives becomes an increasingly more urgent

problem. This is felt not only in those areas where services are nonexistent but in the selection of necessary consumer goods, but it also causes tensions and restrains the flexibility and competitiveness of large industry. For this very reason, in the Sixth Five-Year Plan the government devoted more attention, as a part of the modernization of economic regulation and industrial organization and management--to expand industrial small businesses, to supply the needs of the population and to services which improve living circumstances.

On the basis of a comprehensive analysis, a resolution passed last year by the Council of Ministers decided on the further development of small plant production and auxiliary activity, and following this the Economic Committee prescribed for the highest authorities, industrial ministries and trade unions that by June they should draft their proposals for possible ways of making further progress. A committee was formed in the National Planning Office for the coordination of the legal, organizational and incentive conditions of the work program. Parallel with this, various social and trade organizations organized open discussions on new business possibilities. At the end of August, a Presidential Council decree appeared which established the possibilities in principle to modernize the statutory provisions regarding small industrialists (artisans), the amendment of the cooperative law and the organization of four business forms (the small enterprise, small cooperative, trade group, and economic work team). More than 30 decrees will appear during the year on small businesses. The starting pistol will sound for their establishment on 1 January 1982.

What is a small business? It already exists legally and economically, but for various reasons cooperation possibilities have been forced into the background. Businesses based partly on state enterprise and cooperative resources and partly on private capital form an organic part of socialist management. This is shown not only by the existing--admittedly narrow in scope--small organizations but also by the producer cooperative subsidiary branch businesses with a thousand profiles. Without doubt it is timely to rethink why these viable business undertakings are limited only to the agricultural sector. Why is it necessary to perform, in a framework not legally clarified, on the sly, all those auxiliary service and industrial activities which the population as well as large industry need? We are not speaking here of the legalizing "fusi" (use of enterprise materials for private gain) and thus of regulation and control. Rather we are speaking of creating a regulated link between the "first" and the "second" economies. We are speaking of diverting a part of the enterprising and innovative bent of the population which has been uncultivated thus far and of the population's savings into socially useful investments. In any event, the liberation of creative energies is justified. It is also evident that in the present development phase of the economy it is desirable that the establishment of small businesses should not be a burden on the budget but that the enterprises and cooperatives should be built on a new type of cooperation among themselves, on their associations, and on the spirit of initiative among the citizenry. But this does not mean that the small enterprises being organized from the monetary means of the population should be individual enterprises; it is exactly the new, more flexible organization forms which will make it possible for the process to strengthen and expand primarily group ownership.

There Will be Five

It is evident from preliminary social discussions and suggestions made by those interested that there is the greatest enterprising bent to establish small cooperatives, trade groups and economic work teams. (According to preliminary estimates, there will be more than a hundred such small businesses within a short time, giving approximately 100,000 people the opportunity for economically useful activity in a main or secondary occupation, or in addition to schooling and pension status.) A small cooperative is a small business with a small number of personnel--less than a hundred members--which performs industrial or service tasks, and in which a direct democracy is realized, its activity is regulated by the law of supply and demand, that is, the success of the business is determined exclusively by the market. These cooperatives would operate with a small management and low overhead, and apparently would undertake to supplement tasks not being fully performed and which do not require a large starting capital, or costly investment. With the formation of a small cooperative, the statutory provision limits the size of the starting capital to the degree necessary for the start of the capital and one year's operation. The capital contribution of the members may consist of stock shares, special shares, the turning over of producer means, buildings, work places, or their rental. The required extent of capital contribution is a share equal to two months' personal wages of the member.) The operation of a cooperative trade group greatly resembles that of the small cooperative, with the difference that it is not an independent legal body but is a part of the mother cooperative, or enterprise, with a large degree of autonomy. The number of founding members may be five, and with the rounding out of its activities, employees may be hired but their number may not exceed 10 percent of the trade group's membership. The economic work teams will correspond to the already existing civil right associations, but will be more modern in form.

A very essential viewpoint of all three forms will be that any Hungarian citizen--who has good ideas and an inclination for realizing them--should be able to begin such a small business. The flexibility and competitiveness of these small organizations will be increased by the fact that there will be no profile constraint: that is, outside of the state monopolies they may occupy themselves with anything for which there is a social demand, whatever they can sell. This guarantees at the same time the profitability of the undertaking, for in case of bankruptcy the burden of the loss will not fall on the state. Legal supervision will probably be performed by the councils, but in the interest of flexibility there is no need for trade supervision. On the other hand, there is all the more need for the formation of interest representation forums: in this, an important role will be played by SZOVOSZ [National Federation of Cooperatives], KOSOSZ [National Free Organization of Retailers], and OKISZ [National Federation of Artisan Cooperatives]. Applications will be invited for the manager positions in small businesses: these will be decided on in the case of small cooperatives by the membership. The personal income of the manager will also be decided on jointly.

Accelerating Capital Flow

The detailed economic regulation of small businesses will be made a matter of regular public record. From preliminary discussions it may be assumed that in the case of the small enterprise those interested do not wish to depart essentially from general regulation rules. But there is in any event a need for a certain simplification--

but not assistance--in wage regulation, for example, or profit use. In the case of small cooperatives and trade groups, the introduction of the gross revenue tax which is used in agriculture is justified. With this, however, the hands of the enterprisers should not be tied: they should decide collectively whether to devote their profits for further development of the business, for reserves, for possibly starting other businesses, or for the personal incentive of the members. Of course, the workers of a well-operating small business will earn much more than is usually the case: it is true they will also be risking more.

The new businesses which are created at the initiative of the state or are based on relations among themselves may also speed up the circulation of capital. There would be opportunity, for example, in greater scope than at present for the turning over of development resources, joint credit loans, the regrouping of producer means and manpower for various periods of time, and the realization of joint development goals. All this could contribute to a great extent to the revival of the entire economy and the discovery of new enterprise reserves.

6691

CSO: 2500/9

BASIC ELEMENTS OF 1982 SOCIO-ECONOMIC PLAN PUBLISHED

Initial Components of 1982 Draft Plan

Warsaw ZYCIE GOSPODARCZE in Polish 20 Sep 81 pp 5, 6

[Text] I. Introduction

The goal of the present study is to analyze, to the degree our opportunities allow, the tendencies existing in the national economy, to forecast the shaping of economic situation in the year 1982 and to outline the measures aimed at halting unfavorable trends and securing progress in the production of commodities of primary importance.

Due to the exceptionally high uncertainty, as to the further shaping of prerequisites and socio-economic and political factors, it is necessary to analyze the entire array of possible directions in which the economic situation of the country can evolve in 1982, from multi-version programs to the propositions of conscious choice of action, i.e. a planned shaping of the future state of the economy.

In projecting the economic targets of the year 1982, expected 1981 economic results have been accepted as the point of departure, with special attention given to the most difficult period embracing the IV quarter of 1981 and the I quarter of 1982 when a further decline in (material) production is likely to occur. However, beginning from the II quarter, the termination of the so far unfavorable trends can be expected as well as the gradual return of growth tendencies in the second half of the year, on the condition of a good harvest. This hypothesis is based on the assumption that the socio-political situation in the country will be stabilized.

Therefore, the 1982 projection covers the initial period, i.e. the 4th quarter of this year and the entire calendar year 1982.

On the basis of the results of forecasts for 1982, the proposals are advanced of remedial measures and actions aimed at restoring the growth processes in the economy. Current measures carried out by various economic administration units, which are coordinated at the central level by the Ad-hoc Anti-crisis Headquarters are taken into account in the part of the forecast embracing the IV quarter of this year. Within the framework of these measures, separate balances of fuel and energy for the IV quarter defining a new distribution of material assets have been elaborated. The same goes for the allotments of foreign exchange funds.

Results of the analyses and forecasts are outlined in three versions. Of the versions, two are the extreme forecasts characterized as "the forecast of apprehension" and "the forecast of hope." The third is, in the authors' opinion, the most probable one, for insuring the efficiency of undertaken measures and anti-crisis activities.

II. The Assessment of Expected Economic Results in 1981

Initial targets of the 1981 plan were revised in July of this year. The revised plan envisaged the attainment in 1981 of the following economic indicators:

--industrial production--2,749 billion zlotys, i.e. 87.3 percent of the 1980 level;

--foreign trade commodity turnover--101.1 billion foreign exchange zlotys, respectively 83.7 percent;

--generated national income--1,968 billion zlotys, i.e. 84.9 percent;

--hard coal output--168 million tons compared to 193 million tons in 1980.

Economic results of July and August of this year, as well as the general socio-political environment in the country suggest that the state of the economy at year end 1981 will in many fields considerably differ from the estimates included in the revised NPSG [National Socioeconomic Plan]. The main differences are expected to occur in:

--the production of an array of basic industrial products, including the coal output at 3 to 4 million tons less [than expected];

--a share of the export to second payments area [capitalist countries] in the amount of 1 billion foreign exchange zlotys, or 5 percent, is jeopardized, primarily, as the consequence of lower than planned exports of coal, sulphur, copper and the products of electric machine-building industry.

--due to lower exports, a reduction in the import of raw materials will become necessary, probably in the amount of 0.5 billion foreign exchange zlotys, which will entail a drop in industrial production.

The market situation will be especially difficult: it is estimated that monetary income of the population will increase by another 22 billion zlotys, primarily through higher payments from the wage fund.

As a result of these circumstances, economic results of 1981 in some basic fields are expected to be as follows, compared to the results of last year: (see Table 1).

The above-mentioned expected economic results of 1981 attest to a significant further deterioration in the majority of segments of the national economy. The largest observed so far annual drop of the national income--by 15 percent--provides a synthetic image of economic failures. Of the basic sectors of the economy, agricultural plant production alone will achieve progress in comparison to the last year.

Table 1

	1980 ful- fillment	1981 ex- pected fulfill- ment	Growth rate, per- cent
1. Industry			
a) Industrial production, (billion zlotys)	3,150	2,740	87.0
b) Mining and manufacturing of basic raw materials			
-hard coal (million tons)	193.1	164.0	84.9
-electricity (billion KWh)	121.9	113.5	93.1
-copper (thousand tons)	357.3	340.0	95.1
-sulphur (million tons)	5.2	4.7	90.2
- rolled goods (million tons)	13.3	10.9	82.4
-cement (million tons)	18.4	13.0	70.7
2. Agricultural raw materials			
a) Agricultural crop yields			
-grains (million tons)	18.3	20.5	107.0*)
-sugar beets(million tons)	10.1	15.0	107.8*)
-potatoes (million tons)	26.4	41.0	100.1*)
b) procurement of animal products			
- slaughter animals, total (thousand tons)	3,797	2,960	77.9
-slaughter animals, post- slaughter weight(thousand tons)	2,538	2,000	78.8
- milk(billion liters)	10.0	9.4	93.9
3. Foreign Trade			
-export, I payments area(socialist countries) billion f.e. zlotys	26.8	24.5	93.2
-export, II payments area, billion f.e. zlotys	24.2	19.2	79.3
-import, I payments area(socialist countries), billion f.e. zlotys	30.7	32.0	104.2
-import, II payments area, billion f.e. zlotys	26.7	20.5	76.8
-commodity balance, I payments area (billion f.e.zlotys)	-4.4	-7.5	-
-commodity balance, II payments area, billion f.e. zlotys	-2.5	-1.3	-
4. Deliveries of goods for popu- lation(billion zlotys)	1209.4	1303.0**)	107.7
5. Cash fund for purchases of goods(billion zlotys)	1209.4	1590.0	131.5
6. Shortfall(billion zlotys)	-	-287.0	-
7. Generated national income (billion zlotys)	2,000	1,710	85.5
8. Distributed national income (billion zlotys)	2,069	1,792	86.5

*) in comparison to the four-year average

**) in current prices, excluding changes effective August 31,
1981

III. Forecasts and Projections for Economic Activity in the Year 1982

1. General Environment of Economic Activity in 1982

The forecasts of the state and opportunities for the national economy in 1982 are characterized at present by high uncertainty in regard to many factors and socio-economic prerequisites.

Namely, the following should be included:

--hardly predictable further development of the country's socio-political situation, fraught with the threat of social strains hampering the normalization of work in all sectors;

--the preservation of a very deep shortage of foreign exchange funds, raw materials and consumer goods, which will require the reallocation of these resources during the year in order to salvage the segments of the economy which are critical for the life of the people.

--hardly predictable results of the implementation of the economic reform, especially the society's reaction to the price reforms and that of enterprises (work forces) to the introduction of new instruments of indirect [economic] influence.

--response of foreign partners to the reduction of Polish exports.

There is a certain possibility of a few positive prerequisites in 1982, namely:

--lack of illusions as to the character and magnitude of economic difficulties, which facilitates the elaboration of a relatively realistic plan built from the very beginning on the minimal level of available resources, and, as a result of this, steering the economy from the beginning of the year under the conditions of limited resources.

--a relatively favorable forecast of agricultural results in 1981, which allows us to expect a higher supply of agricultural raw materials in 1982. However, the possibility of the farmers refraining from selling agricultural products in late 1981-early 1982 due to the drop in the purchasing power of money and the necessity to restore fodder stocks exhausted in the spring of this year has to be reckoned with.

--the talks on the rescheduling of our foreign debt, which are underway.

The economic situation in 1982 will be defined, similarly to this year, by four basic factors:

--the achievable hard coal output and electric power generation derived from it; also, the production of copper and other domestic raw materials.

--the magnitude of burden imposed on the balance of payments by servicing [foreign] debt and the dependence of the level of imports from II payments area on the rescheduling of payments and securing necessary new credits,

--situation in agriculture,

--the increasing inflationary gap in the domestic market.

2. Economic Forecasts for 1982

Two basic versions of probable development of the situation and economic forecasts have been accepted. The first of the two is based on the principle of so-called "apprehension version" of a cautionary nature, assuming the continuation of and even a deterioration in 1982 in the present conditions and the trends of the development of the socio-political situation and economic activity in the country. The second version, so-called "version of hope," envisages the targets for 1982 that are achievable within the limits of available and technical resources given favorable domestic and external prerequisites. The forecast in each case is based on the evaluation of availability of material and foreign exchange resources, and also on the evaluation of social response. Production capacity of the fixed assets at present does not limit the opportunity for economic improvement in the country.

2.1. Supply of Raw and Other Materials and Energy

It is estimated that, depending on the above-mentioned factors, the Polish economy can have at its disposal in 1982 the following amounts of certain raw and other materials for production.

1) Supply of Domestic Industrial Raw Materials

In evaluating the supply of domestic industrial raw materials, special attention has been given to hard coal, because of its vital importance for the national economy.

Version of Apprehension

In 1981, a considerable reduction of the hard coal output on weekdays has occurred, from about 615-620,000 tons at the end of the 1st quarter to 580,000 in August. Should this tendency continue in 1982, hard coal output to 155,000,000 tons must be reckoned with, out of which 150,000,000 tons mined on weekdays and 5,000,000 tons mined voluntarily on free Saturdays.

Consequences of such a large decrease would be very significant, no matter whether the export or the domestic consumption is reduced. In the first case, this would mean a total reduction in exports by about one half, i.e. from 17 million tons this year to 8 million in 1982. The foreign exchange value of lost exports would be 1.8 billion foreign exchange zlotys, which would entail enormous consequences for the entire national economy.

In the second case--a reduction of supply for production--a considerable decrease of output in the majority of basic industrial commodities would occur (electric power, ferrous metallurgy products, cement etc.) and, consequently, a deep economic regression. On the basis of analysis of dependency between coal consumption (in raw and in processed form) and industrial production, it is estimated that a 9-million-ton reduction would cause a drop in industrial production by 290 billion zlotys, or about 11 percent, and a more than 8 percent drop in the national income.

Coal output of 155 million tons would mean a 46-million-ton drop from the 1979 output. It would be approximately at the level of the 1973 output. This decrease expressed in the foreign exchange value comes to 3.5 billion dollars.

Such a deep drop in coal production would be a real disaster for our economy. It would deal our economy such a devastating blow that nothing could compensate for it.

Version of Hope

Technically feasible potential coal output of mines is about 630,000 tons per day. This level was achieved by the coal mining industry early in this year. An opportunity to mine 175 million tons exists, if voluntary work on Saturdays in one and a half to two shifts is undertaken and other conditions are met, for example, an increase of deliveries of spare parts for mining equipment and machinery. It is imperative that we undertake every measure which will allow us to achieve this output. It would bring about the material conditions to slow down the downward trend and subsequently setting in motion the development processes in the entire national economy.

To ensure the production of 175 million tons it is necessary:

--to increase employment in mining: an increase of 9,000 to 10,000 persons should be secured in 1981 and an additional 10,000 persons in 1982 should gradually reinforce the work force. Recruitment into mining should include the graduates of mining schools, organized labor departments and workers transferred from other sectors of the national economy.

--to introduce new preferential remuneration principles for work done on free Saturdays and the allotment of special production funds to encourage rhythmical and efficient work on weekdays.

--to reduce gradually the retirement age in coal mining and to introduce new principles of retirement benefits, which would encourage staying in the industry and also induce the flow of labor from other economic sectors into mining.

--to develop a special program of housing construction (especially single family houses) for miners.

--to introduce export incentives by allowing the mining industry to keep 10 percent of foreign exchange funds received in payment for coal.

--to ensure the conditions for modernization activity in mines on the basis of new guidelines for self-financing, also with an eye toward improving the technology of mines and the construction of social facilities associated with increasing employment.

--to decisively improve food supplies to the miners, also through the negotiated transfer of a part of ration-card deliveries from agriculture to mining.

To attain a hard coal output of 175 million tons in 1982, basic economic indicators of the national economy could be as follows:

--growth rate of industrial production--105 percent;

--balance of commodity turnover with second payments area-even;

--growth rate of generated national income--102 percent.

Estimating realistically, achievement of the full effects of all undertakings may be difficult. It should be taken into account that the attainment of the 175 million mark is the highest optimistically estimated limit of possible output. Therefore, it cannot be accepted for elaborating balanced targets of the plan, since each downward deviation from this output would entail a revision of the plan.

Preliminary Assumptions for the Draft Plan

Considering that the actions undertaken will, in practice, bring only partial results, it is assumed that hard coal output in 1982 will reach 168-170 million tons. (For further calculations, the 168 million mark is used.)

In distributing the coal, it will be necessary to adhere strictly to rationing and to direct it to where the adopted basic social and economic goals require.

It is assumed that the coal mined in 1982 will be allocated primarily:

- supplying electric power plants,
- supplying the population, including private farmers,
- supplying priority production (foodstuffs, medicine, personal hygiene items, items for children and youth),
- export.

We should strive to increase the export of coal to the maximum possible, even the amounts stipulated in these assumptions, because this will allow us to increase import of production inputs and also allow us a proportionate increase of domestic production. Consequently, it will enable us to improve the domestic market supplies and increase of export of manufactured goods.

In comparison with the expected coal distribution of this year, the 1982 assumptions provide for the following:

At the unchanged level of coal consumption for production purposes, shifts in the internal network of coal distribution are expected. Preferential treatment will be extended to the agricultural processing and foodstuffs industry, chemical and construction materials industry, which necessitates a decrease in allocations to the iron and steel and machine building industries. According to the same priorities, deliveries of coal to some industrial branches will be restricted during the fall and winter season of 1981-1982.

Consequently, a decrease, in relation to this year, is expected of coke output by 0.5 million tons and of many products of the machine and equipment branch.

Assuming an improvement of labor productivity in mining, the supply of raw and other materials (other than coal) of domestic origin may be expected to increase compared to the 1981 output for brown coal, copper and sulphur. These increments are estimated to be 1.5 million tons for brown coal, 10,000 tons for copper and 300,000 tons for sulphur.

Table 2

Item	million tons	
	Expected Fulfillment	Assumption
Output	164.0	168.0
including		
--consumption for production purposes	117.1	117.3
--deliveries to population	28.8	32.0
Export	16.9	17.2

The increase in brown coal output provides an opportunity of combined (i.e. taking hard coal into account) growth of electric power generation by about 2 billion KWh (that is, about 2 percent). Correspondingly to the supply of fuel and raw and other materials, it will be necessary to continue shifts in the structure of industrial production, especially a further decrease of investment commodities production by a further decrease of investment commodities production by 10 percent, and a decrease of energy-intensive and import-intensive goods, with a concurrent growth of standard production, production of simple agricultural machinery and implements and production covered by the adopted set of priorities, as well as that of small-scale industry. Basic macroeconomic indicators could assume the following shape in 1982.

--industrial production at about 100 percent of the 1981 level,

--generated national income at about 99 percent of the 1981 level,

--market deliveries of goods at about 102 percent (not including the growth in volume attributable to the price reform).

The above-mentioned figures suggest that, despite the assumed shifts in the structure of distribution of fuels and, consequently, of other raw materials, the chances for a change of the economic situation in the country in 1982 compared to the present one are slim, given the 168 million tons coal output.

Therefore, further multi-faceted measures should be undertaken in order to increase the output above that level.

--and also to undertake vigorous actions to decrease coal consumption in the country; any undertaking along these lines either this fall or during the implementation of the plan, creates an opportunity for growth tendencies in the national economy.

2. Supply of Agricultural Products

Any evaluation of an agricultural situation is always impaired to a degree by uncertainty due to the peculiarity of agriculture. Agricultural production, after all, is a result of a combined impact of such factors as climatic conditions of a given year, supply of agriculture with production assets and pesticides, and economic environment. On the basis of trends occurring over many years, it is estimated that deviations in agricultural production due to the above factors reach 10 percent. In forecasting for one year, it is impossible to predict whether a disastrous or an exceptionally favorable year will occur.

Version of Apprehension

In forecasts for the year 1982, the possibility of the occurrence of a high negative deviation from the mean of many years cannot be ruled out.

It is estimated, though, that the probability of a slump similar to that of 1980 is small, since frequency of such unfavorable conditions in agriculture is once in 20 to 25 years.

Another threat, however, cannot be ruled out, namely that of the agricultural producers refraining from selling their produce to the procurement network for economic reasons, as a consequence of losing confidence in the zloty. This could lead to various solutions, from barter trade to the often-advanced propositions of introducing mandatory deliveries. This solution, however, is not taken into account, considering that after an eventual short-run effect it would cause a slump in animal husbandry. In the version of apprehension, gross agricultural production is put at about 600 billion zlotys, grain harvests would be about 19.5 million tons, and meat procurement about 1,700-1,800 million tons.

Version of Hope

Assuming average atmospheric conditions and an increase in mineral fertilizer application by 10 kilograms per hectare, and also an increase in deliveries of pesticides and other means of production, as well as a shift in the structure of distributing the means of production, it can be estimated that an increase of grain yields to about 27.5 quintals per hectare would occur. This would make possible a grain harvest of 22 to 23 million tons. As a result, either the import of fodder can be curbed or the state of domestic fodder stockpiles improved. Taking into account the impact of increased fertilization and pesticide application with regard to other crops, the gross product of agriculture would come to 630 billion zlotys, and the rate of growth to 105.7 percent compared to 1981. A better fodder situation would insure more favorable conditions for the growth of animal production beginning from the IV quarter of 1982 and in the next year.

Preliminary Assumption for the Draft Plan

Expecting average atmospheric conditions in 1982, it is assumed that the grain harvest can reach about 21 million tons, that of oleiferous crops--about 0.6 million, of sugar beets--13.2 million tons and of potatoes more than 43 million tons.

Good yields of crops in this year allow us to restore fodder stockpiles on farms and will influence the increase of herds. It is estimated that procurement of basic agricultural products is going to increase, whereas the procurement of animal products will continue at the level of this year, with the exception of milk procurement, which should grow by 4 percent. This situation does not create the conditions for improving the supply of population with meat and processed meat products. It should be stressed that, regardless of how the agricultural production develops, the implementation in 1982 of a deep reorientation of the economy towards agriculture appears necessary. This should occur through:

--increased deliveries of pesticides,

--growth in production of simple agricultural implements,

--prevention of slackening in the deliveries of mineral fertilizers to agriculture.

Under all circumstances, it is also necessary to rearrange the relation of procurement prices of grains, cattle and industrial crops in comparison with the retail prices. Especially necessary is the retail price raise for meat and processed meat products effective as early as January 1, 1982.

The rearrangement of procurement and retail prices coupled with an increase in the supply of means of production for agriculture and of other industrial products would create favorable economic conditions for the development of agricultural production.

3. Inputs from Import

At present, there is considerable uncertainty as to the possibilities of foreign trade commodity turnover in 1982. Unlike the previous years, this uncertainty concerns the turnover with states belonging to both payments areas.

Version of Apprehension

The extreme eventuality which could occur if further rescheduling of the 1982 installments of foreign credit service payments to the states of II payments area is not ensured, is not taken into account. However, the possibility should be reckoned with of talks on refinancing the credit stretching well into 1982, which would unfavorably influence our payments situation, especially in the first half of the year. The failure to postpone the payment of the entire installment due should also be reckoned with as well as possible considerable difficulties in obtaining new short-term credits. These difficulties are due to the assumed shift in the structure of imports, namely, the curtailment of investment goods and grain imports, i.e. of the commodities for which the credit is the easiest to get, coupled with an increase of raw and other materials imports, where cash is required.

The difficulties with securing the necessary credit will multiply in the case the unfavorable version of coal output and the attendant threat of decrease in exports of coal and other raw materials occur. Commodity import would then take a 5.5-7.0 billion exchange zlotys cut, compared to 1981 and about 12-14 billion compared to 1980.

The necessary balancing of turnover with the socialist countries would also be put in jeopardy, and it would require a reduction in imports.

As a consequence, a slump in industrial production and national income, even in comparison to the level assumed under the most pessimistic coal output projection, would become inevitable.

Version of Hope

This version assumes that in turnover with II payments area it will be possible to obtain both a postponement of repayment for foreign credits and new credits, transactions necessary to finance import, and that special additional credits for setting the economy in motion in the amount of 1.5-2.0 billion dollars can be secured. The last item yet requires many further talks and negotiations.

In turnover with the countries of I payments area, the version of hope envisages the receipt of approximately 1/3 less credits than in this year. The earmarking for export of a part of incremental coal output in the amount of 5 million tons would be a significant factor in making this favorable development of the situation possible. The implementation of this assumption would create the material prerequisites for the national economy to pick up.

Preliminary Assumptions for the Draft Plan

It is assumed that it will be possible to postpone the payment of credit installments to the countries of II payments area by obtaining credit for refinancing in the amount of 18.5 billion foreign exchange zlotys, and to obtain short-term credit in the amount of 15 billion zlotys, i.e. the amount ensuring import from II payments area at the level of this year. With regard to the countries of I payments area a reduction of the negative balance of commodity and service turnover from 5.9 to 2.2 billion foreign exchange zlotys is assumed, primarily by reducing imports.

At the above levels of import from the two payments areas and with the already mentioned shift in the structure of import from II payments area, deliveries of imported and domestic raw materials will permit continuation of industrial production at this year's level.

Forecasts of the Monetary and Market Situation

The monetary and market situation in any event will depend on the opportunity of delivering goods to the market and providing services to the population, on the social acceptance of the proposed reform of retail prices, on the ability to slow down the high rate of personal income of the population, and on the changes in the labor force.

"Version of Hope"

Should the trends of this year continue, monetary income of the population will grow in 1982 by 280 billion zlotys to 2,370 billion, with the employment in the socialized economy of 11.9 million persons, though industrial production will be lower than in 1981 almost 300 billion zlotys. This means that about 500-600,000 persons would be technically employed in industrial enterprises but would have nothing to do. This would be a reinforcement of the phenomenon of employed labor with no work, which is occurring this year with considerable magnitude in many industrial sub-sectors.

As a result of lower industrial production, the deliveries of goods to population would decrease by 140 billion zlotys compared to the very bad year 1981. The shortage of goods would amount to above 660 billion zlotys (without the price reform). Consequently, the domestic market would go into a fatal slump and the extension of ration-cards for all market goods, i.e. a comprehensive regulation system, would become necessary.

Version of Hope

Assuming that the disbursement of the wage fund would be put in order, and the payments would be linked to the labor productivity, and that excess labor would be transferred from the branches of machine building to the agricultural processing and food industry, mining, agriculture and services, the monetary income of the population would grow by about 150 billion zlotys, rather than by 280 billion as in the "version of apprehension."

Deliveries of goods to the population in 1982 would approximate those of this year, and the shortage of goods (not including the consequences of the price reform) would come to 415 billion zlotys, without the so called inflationary curve from earlier years (variously estimated by planning centers to be from 300 to 500 billion zlotys).

This version assumes that the price reform will be fully implemented. Factoring in the growth of income of the population due to compensation, the shortage of goods would be reduced to about 110 billion zlotys.

The implementation of the elaborated reform of retail prices including compensation would create an opportunity for market equilibrium with regard to such goods as bread and baked goods (assumably, already by the end of the year 1981) and milk and dairy products (second half of 1982) as well as fuel and combustibles.

Preliminary Assumptions for the Draft Plan

Being realistic, we should realize that the shifts in employment will be a long process. Deviations in projected deadlines and the scope of the reform of retail prices because of the social environment should also be reckoned with. Consequently, the following preliminary assumptions for the draft 1982 plan are made as follows:

Table 3

<u>Item</u>	<u>Billion Zlotys</u>
Monetary income of the population	2,595
Funds for purchases of goods	1,969
Deliveries of goods for the population	1,797
Shortage of goods (after the price adjustment)	172

In the sphere of goods and monetary relations, special attention should be paid in 1982 to the decreasing monetary income of the population unrelated to work and its effect.

IV. Preliminary Assumption for the 1982 Plan in the Sphere of Investment Activity and Expenses for Social Consumption

The preliminary assumptions for the 1982 Plan acknowledge that the activity of some spheres will have to be regulated in a centralized fashion on the basis of opportunities in the national income distribution and provisions of the budget. This refers to the centrally planned investment projects and budget expenditure for social consumption, i.e. health care, education, science and culture. Preliminary assumptions in this sphere are presented without breakdown into versions.

1. Opportunities and Directions of Investment

At present, it is estimated that investment opportunities in the national economy will not exceed 430 billion zlotys in 1982. This follows from the opportunities of distributed national income and material supplies.

The assumption of further reduction in the amount of construction and installation in 1982 compared to 1981 necessitates at the same time a very drastic curtailment of investment projects with the highest share of construction work, including also housing construction. This restriction does not cover the traditional forms of housing construction utilizing local raw materials.

Investment outlays are distributed among the five following complexes of the national economy:

- a) foodstuffs complex, which is planned to be allocated investment in the amount of 122 billion zlotys, or 28.4 percent of the total investment in 1982 (compared to 26.4 percent in the 1981 projected fulfillment).
 - b) the fuel and energy industry--in the amount of 50 billion zlotys, or 11.5 percent of the total investment (compared to 10.7 percent in 1981).
 - c) housing complex, where due to the conditions ensuing from the difficulties in material supply in 1982, investment in the amount of 126 billion zlotys is planned, which constitutes 29.3 percent of the total investment (compared to 28.9 percent in 1981).
 - d) other social consumption, excluding housing construction, is planned to receive about 26 billion zlotys in investment, which amounts to 6.0 percent of the total investment in the national economy (6.0 percent in 1981).
- 3) other sectors of the economy, including mainly industry, excluding food, fuel and energy, transportation and communications, construction, trade etc, which are allocated about 106 billion zlotys, or 24.8 percent of the total investment in the national economy, whereas in 1978 this share was 38.6 percent, in 1980--33.4 percent and in 1981--28.7 percent.

Limited investment opportunities in 1982 demand that the investment projects where the work is continued be reviewed once again in order to decisively narrow the investment front.

The investment situation of the country causes the need for a considerable commitment of the funds and assets of the population for the purpose of small-scale production. These funds should be channelled into the setting up of new small-scale-industry units geared primarily to the utilization of local raw and other materials (clay, limestone, chalk, aggregate, peat, wicker etc.), industrial waste and secondary raw materials, excess primary materials from large-scale industrial plants, materials accumulated at the sites of halted investment projects, and agricultural products which, with the existing stockpiles and forms of procurement, are not fully utilized in food production.

2. Preliminary Assumptions for the 1982 Plan in the Sphere of Social Consumption

The activity of non-material production and social consumption in 1982 will take place in an environment of considerable restrictions and savings brought about by the shortage in material supply and the decrease in the level of national income. *

The entire sphere of non-material production and social consumption will be treated in the 1982 plan according to the current principles. This is to say that it will be allocated investment and foreign exchange funds, in the way of planning directives tying it to material assignments for purposes strictly defined by the rules effective in the national economy. However, a considerable increase in current expenditures for social and cultural services (by about 17 percent) is taking shape, in part due to the growth in employment in comprehensive school education and upbringing, vocational school system and college system,, as well as in health care and social services.

Table 4

	1981 ex- pected ful- fillment	1982		
		version of appre- hension	preli- minary assum- ption	ver- sion of hope
1. Coal output(million tons)	164	155	168	175
2. Growth rate of industrial production (percent)	100	89.4	100	105
3. Export				
- I payments area(socialist countries), billion f.e.zlotys	24.5	24.5	25.5	25.5
- II payments area(billion f.e. zlotys)	19.2	19.0	21.0	22.9
Import				
- I payments area(socialist countries), billion f.e. zlotys	32.0	26.3	29.5	31.0
-II payments area(billion f.e. zlotys)	20.5	15.0	21.0	22.0
Balance				
-I payments area(billion f.e. zlotys	-7.5	-1.8	-4.0	-5.5
-II payments area(billion f.e.zlotys)	-1.3	+4.0	0.0	+0.9
4. Monetary income of the population(billion zlotys*)	<u>2,093</u> 2,111	<u>2,370</u> 2,526	<u>2,285</u> 2,595	<u>2,242</u> 2,551
5. Cash fund of the popula- tion for purchases of goods (billion zlotys*)	<u>1,590</u> 1,608	<u>1,823</u> 1,939	<u>1,739</u> 1,969	<u>1,695</u> 1,925
6. Deliveries of goods for population (billion zlotys*)	<u>1,303</u> 1,325	<u>1,160</u> 1,372	<u>1,260</u> 1,797	<u>1,280</u> 1,817
7. Shortage of goods(billion zlotys*)	<u>287</u> 283	<u>663</u> 567	<u>479</u> 172	<u>415</u> 108
8.Growth rate of generated national income(percent)	85.5	91.7	98.6	102.2
9. Growth rate of distributed national income(percent)	86.6	84.4	95.5	99.0
10. Investment in the housing construction complex, billion zlotys	133	116	126	130

*) In the numerator, without price reform and compensation;
in the denominator, with price reform and compensation.

This will cause a growth of personnel expenditures by 22 billion zlotys. The opening of new hospitals, schools, day care centers and nursery schools will bring about an increase in material expenditures, which will also go up due to the growth of upkeep costs of installations (about 12 percent). An estimate of budget expenditures for social and cultural purposes shows that the ratio of expenditure in these sectors to the distributed national income will go up appreciably. In part, however, this is attributable to the growth of prices and decrease in national income.

3. Forecasts of Economic Results of the Main Sectors of the Economy According to the Assumptions for the Draft 1982 Plan

In the light of the above-mentioned uncertainty as to the development of the socio-economic situation in Poland, it can be ascertained that the economic results of 1982 could fluctuate widely depending on various factors. Basic indicators of the versions of the plan under study presented below, essentially define the range of possible states of the economy and the scope of eventual solutions in the politico-socio-economic sphere.

Interview with Planning Commission Chief

Warsaw ZYCIE GOSPODARCZE in Polish 20 Sep 81 pp 4, 5

[Interview with Zbigniew Madej, chairman of the Planning Commission of the Council of Ministers: "Forecasts of Apprehension and Hope"]

[Text] The Planning Commission of the Council of Ministers has elaborated a preliminary outline of the draft control socio-economic plan for 1982. Concurrently, the Council of Ministers passed on September 14 a decree on the principles of elaborating draft annual plans and the state budget for the next year. In this issue, we publish an abridged version of the outline, and also a talk on this topic with the chairman of the Planning Commission Zbigniew Madej.

[Question] What was the reason for presenting two different versions of the outline of next year's development?

[Answer] This is how the probable paths of development look from the perspective of this day. The choice is not for the sake of elegance or symmetry, just to show three roads, one to the left, the second in the middle and the third to the right.

Let us take coal, for example. If the trends that have taken shape in this year continue through the next year and the average daily coal output is 590,000 tons, and the inclination to work on free Saturdays remains at the present level, we can simply figure out that 155 million tons of coal can be mined in 1982. Of course, we must do everything to run away from this "dark" forecast in a more optimistic direction. We must do it not only because we are disgusted by the "dark" forecast and always want more light, but because we have a real chance to mine more coal.

[Question] Where is the foundation for this opportunity?

[Answer] Already in this year, daily output of coal has come up to 620-630,000 tons on weekdays. If this output is achieved in the next year--and there are bases for that, considering the technical potential of mines--and if volunteer, and, I stress, volunteer work on free Saturdays even in two incomplete shifts is added, the estimate results in a possible output of 175 million tons of coal.

The 20 million ton difference is the key to setting our economy in motion. Due to it, industrial production can increase by 5 percent. More cement can be produced, more apartments constructed, more coal delivered to rural areas and abroad, delivered abroad in order to be able to import necessary ingredients for laundry detergents or for drugs, assemblies necessary for the mining equipment or machinery and implements for agriculture and so on.

Presently, the price of coal is going up, partly because we export less and the others are taking advantage of it. A ton of coal can fetch 60 and even up to 70 dollars. It is easy to multiply 20 million tons by this amount of dollars. If only our economy received that injection it could definitely be set in motion.

Let me remind you that in 1979 we exported about 26 million tons of coal to capitalist countries. In this year, we will export about 8 million tons. It is simple to calculate what we have lost already and will lose in the future, unless we solve this problem.

[Question] Nothing, however, gets done all by itself. Therefore, what can we do for mining and the miners, to really avoid the "dark" forecast and draw closer to the version of hope?

[Answer] In the first place, we should carry on with the increase of employment in mining. Already 10,000 persons more work in mines now than at the beginning of the year. Several dozen thousand of workers above the present employment are needed, let us say 30,000 to 40,000 in the next year. And there are opportunities for that. There are, for example, construction or machine building enterprises in Silesia which do not have enough work for their employed labor. Part of the labor from these enterprises can be transferred to mining. Mining will also be reinforced by the graduates of mining schools. New retirement regulations for miners are being introduced which envisage earlier retirement with concurrent continuation of work. In this case, those opting for this arrangement will receive three fourths of their retirement benefits and full reimbursement for work. Besides, a very carefully conceived and implemented program of housing construction, including individual houses, is needed. And, finally, the mines will themselves create their development fund for repairs and investment, including their own foreign exchange funds. All of the above will be put at the disposal of the miners and mining. Perspective decrees have been already adopted by the government which should bring results as early as this year. This is why there is more than just hope [that we attach to it].

[Question] Today we also need precise statements. Consequently, what would be the range of estimates by the Chairman of the Planning Commission?

[Answer] My estimates are between the middle version, i.e. 168-170 million tons of coal and the version of hope, i.e. 175 million tons of coal. I count on the active participation of everybody on whom the creation of the genuine motive force in our economy depends--and that is exactly what coal is under our present circumstances. This is why the version of apprehension would only hold true if nothing is done. The more effort expended in striving towards the version of hope away from the version of apprehension, the larger the chances for really getting the economy moving. This would be the beginning of the anti-crisis program offered to the Sejm [illegible] we have a chance to get out of the disastrous production slump in three years.

Question And what would happen if the "darkest" version would hold true due to one reason or another? What would be the social consequences of this?

Answer The overall situation in 1982 with regard to the level of production, market supplies, export would be even worse than in this year. Problems will be exacerbated. The decrease in industrial production would then reach 10 percent, and this is in relation to this year. Compared to the period before the crisis, the decrease would constitute about one third. This would be, simply put, a disaster. Then a comprehensive rationing plan for all foodstuffs would become necessary, with rations at the contingency level, bordering on hunger. Export would have to be given up, and there would be nothing with which to pay for imports.

Question Is this to say that the problem our society faces today is to start working at full steam and tighten our belts at the same time? Are there any other options?

Answer In the final analysis, it is up to the society to make its choice. Nobody in the government, none of the economists can single-handedly prescribe what the society will choose. But everybody responsible for outlining paths for further development must present them clearly and provide a chance to make choices. In economic projections for the year 1982 the Planning Commission and the government are trying to outline such options. I urge that we not settle for tightening our belts and being lax, but use all the opportunities to make additional money and turn out additional production. This is why, and I repeat, that my estimates are between the middle version and the version of hope.

Question Who does the action of the motive forces in the economy directly depend on?

Answer This is clearly seen in today's reality. It depends on the miners and agriculturalists.

Question In the name of what is the agriculturalist to produce since he cannot buy anything for the money he makes?

Answer A decisive impact, as the anti-crisis program stipulates, should be made in the entire sphere of machine building for agriculture, from tractors to simple agricultural implements.

Prices should also be watched in commerce between urban and rural areas. In the middle of this year, procurement prices of grains were raised. It turns out that the level of free market prices has considerably exceeded the procurement prices. We have to deal here with aspects of speculation and monetary investment in grain, but not only with these two phenomena. Bringing the prices of centralized procurement in line with both the cost of production and demand-to-supply ratio should be given some thought. Under the present circumstances, it might even be necessary to resort to exceptional solutions, for example, to commodity exchange between the city and the country on a "good-for-good" basis.

Question Such a phenomenon already occurs.

Answer This is true. That is why we must watch it and consider its virtues and vices.

Question The question is being asked whether it would be worthwhile to introduce mandatory deliveries?

Answer There have been examples of such arrangements in history. This is a device of military, contingency-type economy, and this arrangement should not be required to accomplish anything besides that. After all, the idea behind it is to survive. If the survival over a short period of time were the only objective, this could obviously be one of the solutions. Should this system be employed in the longer run, it will aggravate the crisis rather than facilitate overcoming it. Therefore, I will not recommend this system.

Question The agriculturalists and miners alone will hardly push the economy ahead. The miners want to smoke, have something to eat, to feed and clothe their children, to provide nursery schools and day care centers for them and they want to get to their jobs. The agriculturalists, on top of the above needs, require fertilizers, coal, iron...

Answer ...this is clear. This is why I want to stress unambiguously that the motive forces cannot bear the entire burden of the economy. Economy happens to be an interconnected system. Whether this entire machine gives a jolt forward while being set in motion also depends on all other workers.

More initiative, more discipline and resourcefulness should be expected in the entire manufacturing industry, especially in the processing of agricultural materials. The same goes for transportation, the electric power industry and the branches of machine building directly associated with agriculture and mining. Then, there are so-called non-productive sectors. I am not trying to downplay their importance, but in order to build more apartments we need more cement. This is what the logic of economic connections suggests.

If we are to discuss who can give a forward push to the entire mechanism, it would primarily be innovators, the ones who can "bewitch" more out of the given resources, that is the production managers, engineers and economists who will themselves steer the activity of economic units as early as next year. All the enterprises are to take care of themselves. Producing as inexpensively as possible, utilizing the raw materials and human resourcefulness to the utmost is a big problem.

Question However, these same people who must lend a hand and be resourceful are still being scared by unemployment--scared by everybody, from newspaper publications to certain governmental enunciations.

Answer Well, to say the truth, unemployment or, more precisely, inactivity, already exists. If industrial production today is about 18 percent below the last years and employment is more or less the same, I would pose a question. What are the 18 percent of the workers doing who last year produced 18 percent more? Should this inactivity last in the next year, our economy would not inch ahead a bit. What are we afraid of? This petrified inertia should start breaking up.

Question What should the direction of change be?

[Answer] Of course, not the one of putting those inactive inside the factories out in the streets to be inactive there. This would not accomplish anything for anybody. The problem is to put those inactive in the factories where they can really produce something and do something rather than draw wages with no commodity coverage. So, it is necessary for these workers to transfer to mining, agriculture and agricultural processing, services, machine building for agricultural and mining purposes, etc.

[Question] Are there really reasons to believe that this will happen? Nowadays there are not too many managers who would like to get rid of labor, especially skilled, on the grounds of uncertainty about economic conditions in the future. Nor can the need in mobility over time due to disruptions in cooperation or large labor intensiveness due to supply interruptions be a reason for this.

[Answer] If the manager, the workers' self-government bodies, the entire work force can afford to employ the labor at, let us say, three fourths of capacity this is only half the problem. But it should be asked whether they could really afford that, whether they make enough money to pay for 100 percent of production capacity while turning out only some 70 to 80 percent of production. This is what is happening now, because the stereotype of the government handing out wages is still honored. The solution to this problem will be different when the enterprise really acts on its own financial account.

[Question] I think that before the reform takes off we must change our traditional priorities. Right now.

[Answer] The shift in priorities has already begun in 1981. It is based on directing the available resources of coal or energy not to the iron and steel industry or basic chemical industry as two years ago but primarily to agriculture and the drug industry. It is also so with regard to the foreign exchange funds.

This has to be reckoned with next year. At the 16th grade of restrictions in electric power supply, enterprises of the food industry or fodder plants will not take cuts. On the contrary, they will be the first to receive an adequate share of energy. The iron and steel industry, soda production and, unfortunately, the cement industry as well will be subject to shutoffs. And here, as far as I am concerned, the logic of these priorities is beginning to break down. I would very much hate to see cement production decrease.

[Question] Is there a way out of the predicament?

[Answer] There should be. If cement production also has to be decreased because of energy shortages, it will be necessary to limit the delivery of cement in the first place to industrial construction rather than lower its consumption in rural areas.

[Question] How will these projects be implemented next year?

[Answer] What we offer as preliminary assumptions to the draft 1982 plan is only a point of departure for looking at the next year with all attendant hopes and fears. Therefore, this is an outline of a network of future measures, in which there should be a cell to fit into for every sector, every branch, every enterprise. It provides general guidelines. We proceed from the assumption that we will not hand down to enterprises detailed economic quotas, but we must somehow provide some pointers for them.

The preliminary assumptions of the draft 1982 plan have been transmitted to selected enterprises and the ministries; finally, they are published in the press. Now is the time to start the drafting activity of those who have obligated themselves to generate ideas for the future in the enterprises, branches and sectors of the national economy.

[Question] Is this document the only point of departure?

[Answer] No, not the only one. It should also be done on the basis of the knowledge of needs and local opportunities following from the equipment level, employment and a better utilization of raw materials.

[Question] However, these opportunities are very uncertain at present.

[Answer] There is no such thing as life without uncertainty! Uncertainty should be estimated and qualified. Everything that has a chance of working out higher than 50 percent should look attractive to us. Uncertainty is not an obstacle, it is even an incentive for people who are ambitious and a bit spiteful.

But let us get back to the topic. Projections made by economic organizations should by the end of the year result in drafts by enterprises which might be called basically agreeable with, or at least non-contradictory to the assumptions of the center. This would suffice.

The enterprises still have many pieces missing that could enable them to fully plan and develop their activity later on. First of all, they do not have the knowledge of price, wage and financial mechanisms that will take affect next year.

[Question] I know that the PKC [State Commission on Prices] is far advanced in its work; however the ministries of finance, wages and social issues and of foreign trade still have a lot to do. Their work is not all that unimportant for the enterprises...

[Answer] I know that a lot remains to be done. Soon, in October at the latest, the enterprises will learn the shape of these mechanisms from the central echelons responsible for their elaboration.

They will also obtain quotas of centrally allocated materials needed to carry out the priority tasks which will be managed directly from the central level.

[Question] Whoever you speak with about the coming winter, that is the immediate future, you encounter fear of hunger and cold...

[Answer] ...I personally also have this fear. But neither I nor anybody else in the world know of a remedy for hunger and cold other than buckling down to work, and this means everywhere, where we produce, where we organize, where we plan sensibly. This is the only way out.

[Question] It is pretty much a common understanding that buckling down to work is primarily needed where we plan.

[Answer] No, not in the first place. Public opinion is mature enough to recognize that the programs of overcoming the crisis are not the worst, just to mention the ones presented in the Sejm or published on this issue. There are potential and also real opportunities for alternative drafts. In fact, there are such drafts.

[Question] However, one still hears the opinion that the present economic situation has outgrown our economists, that in order to overcome the crisis we need the Einstein of Polish economics.

[Answer] I would say that given the limitations rigidly imposed by economic life, the skill of the planner, otherwise always needed, becomes secondary. One does not have to be an Einstein to put together a reasonable program. You only have to keep your eyes open and be in touch with what is going on. To be honest, we cannot change life by programs alone. Inclination to support the programs by work should follow in the wake of sensible programs.

[Question] I would think that not too many people would fail to support a sensible program by work and extra effort. But that is what they have been told all along. Today the public mood is hesitant, the belief in sensible programs is deeply undermined. This is why I must ask the last question: how does the Chairman of the Planning Commission see the next several months? What can happen in this period in the national economy?

[Answer] Of course, the public mood greatly influences what happens in the economy. And the public mood has to be reckoned with. This is where the idea of forecasting the next year in terms of apprehension and hope originated. At the same time, we want to establish the credibility of our intentions in the eyes of the society by showing both the dark and the more optimistic version and by providing an opportunity of choice. Undoubtedly, in implementing these plans we will encounter certain obstacles, some of which we can identify. Other obstacles we cannot identify, because of, among other things, the hesitant public mood.

The fall/winter season of 1981/1982 will be the turning point. If the expected reality is uncertain, then our projection must also be uncertain in order to conform to this reality. What we see in the perspective of the IV quarter of this year and the I quarter of the next appears to be the most difficult period. Production will continue to fall until the end of this year. Superimposed on this will be all the calamities of fall and winter. Because of this, human responses might be difficult to predict. However, the II quarter until the preharvest period will be difficult, but easier than the winter season. Beginning with the second half of the year on, the growth rate of economic development looks more optimistic and hopeful.

[Question] Thank you for your interview.

9761

CSO: 2600/7

NEED FOR PRICE INCREASES ANALYZED

Warsaw ZYCIE WARSZAWY in Polish 17 Sep 81 p 3

[Article by staff reporter: "Why New Prices?" -- based on an article in "Zycie Partii" by Wojciech Pruss]

[Text] This question was answered in the last edition of "Zycie Partii" (16 Sep) by Wojciech Pruss, 1st deputy chairman of the State Price Commission. Nobody that thinks rationally has to be convinced that the price system has to be changed.

However, while there are practically no reservations as to the actual need for a reform, any specific proposals spark heated discussions and arguments. The proposal presented by W. Pruss should therefore be treated as a subject for discussion, any decision on price changes should not be undertaken without consulting the general public. It is for this reason that we present a discussion of the article from "Zycie Partii."

Both the producer prices and the consumer prices for goods -- writes W. Pruss-- are not tied to the cost of manufacture, at the same time they are also not responsive to the supply and demand. Within such a price structure -- we read further -- no independent, self-governed, self-financing enterprise has any chance of functioning. It has no chance because the prices paid by the enterprise for the means of production do not reflect the supply or the cost of transformation. The prices obtained for the goods sold by the enterprise do not reflect the demand for these goods. The frozen prices for some of the goods are lower than the manufacturing cost. The moneys earned by productive labor cannot be spent on desired goods because either the goods are not available or they are apportioned independently from amount of earnings. Without eliminating the faults of the present price system -- writes W. Pruss -- there are no possibilities for an introduction of an economic reform.

We need a comprehensive reform of the producer prices for the means of production and of retail prices for consumer articles, this could possibly create a proper price structure at the time when the fundamental elements of the economic reform are brought to life. Here we encounter the first doubts which reflect the fears of the public. How long do we have to wait for the reform--will the changes end with the price changes? It is well understood that an economic reform makes no sense if the old prices are retained, however, price changes themselves will not solve the problem, a change in the way the economy mechanism operates should follow immediately and not sometime in the future.

Producer Prices

The postulates of producer price changes have been worked out by the Commission for Economic Reform Affairs. This concept -- as described by W. Pruss -- is similar to the principles introduced in Hungary at the beginning of 1980. The prices of all basic goods and raw-materials, domestic and imported, will be determined based on average prices (for these goods and raw-materials) in dealings with the free foreign-exchange countries. These prices will vary --(be adjusted) in principle -- no more frequently than once per year. Prices for machinery, equipment, semi-finished goods, etc, which are produced by enterprises who systematically export to free foreign-exchange countries, will be tied to the level of prices obtainable in export commerce. The prices for the remaining production articles will be determined on the basis of own production costs and respective profit norms.

Reform of producer prices for the means of production, which is to be introduced on 1 January 1982, will increase their level markedly. This will exert an influence on the production costs of many market articles. An increase in retail prices at this time, for the purposes of production profitability, is not contemplated, however, in the future the retail prices will have to be adjusted to the new cost level.

Retail Prices

The proposed changes in retail prices include, as first priority, prices for food, fuels and energy. The price reform will establish conditions for introduction of an economic reform, lead to elimination of food waste, create an incentive for undertaking of food production, for own needs, by small farms, make production goods competitive with respect to food articles and finally lead to a market balance.

Changes in prices of bakery products and grain/flour articles have already been introduced. Further changes will include prices which will cover the cost of own production and marketing as well as a profit margin necessary for self-financing. The only exception may be the price of milk as it is proposed that a state subsidy, at the level of 4-5 zloty per liter, be continued.

Here are examples which are representative of the proposed changes:

Category	Unit of measure	Retail price in zł	
		Current	Proposed
Sugar	1 kg	10.50	44.00
Salt, kitchen	1 kg	2.20	7.00
Milk (w/2 percent fat content)	1 liter bottle	2.90	10.00
Butter, table	packet	17.00	60.00
Cheese, "Gouda" (w/2 percent fat)	1 kg	50.00	190.00
Margarine, with low fat milk base	0.25 kg packet	6.50	20.00
Margarine "Palma"	0.25 kg packet	8.50	25.00
Oil, vegetable (rapeseed) "Uniwersalny"	0.5 liter bottle	24.00	60.00
Pork roast with bone	1 kg	90.00	300.00
Ham, shoulder and bone	1 kg	59.00	200.00
Pig's knuckles	1 kg	40.00	120.00
Pig's feet	1 kg	9.00	30.00
Veal, cut steak	1 kg	120.00	400.00
Veal roast	1 kg	56.00	200.00
Beef with bone	1 kg	30.00	120.00
Ham, cooked and smoked	1 kg	180.00	450.00
Sausage (country style)	1 kg	120.00	260.00
Black pudding, c' ice quality	1 kg	18.00	70.00
Chicken, cut up	1 kg	54.00	130.00
Bacon	1 kg	36.00	120.00
Herring, whole salted from Baltic sea	1 kg	17.00	60.00
Cod, skinless fillets	1 kg	25.00	100.00
Jam, hard	1 kg	10.00	50.00
Plum preserves (jam)	0.45 kg jar	6.60	34.00
Coal, for heating, type "A" quality I	1 ton	550.00	2,000.00
Electricity	kWh	0.90	3.00
Central heating fee (national average)	per m ²	3.00	10.50
Hot water supply fee	per residence	0.90	4.50

Most effective, from an economics point of view, would be a nonrecurring, comprehensive increase of retail prices. However, such a drastic price increase is socially unacceptable. It is proposed -- writes W. Pruss -- that the price reform be introduced in several phases. This would be based on successive price changes of various groups of goods or on a stepwise increase of prices. This should apply in particular to those articles which will attain a very high final price.

Compensation

The subject of compensation is raising the most of the doubts. As indicated by W. Pruss, the basis for the calculation of an increase in expenses which would occur as a result of the proposed price increases, was accepted on the basis of average allocation norms, in the case of regulated goods (in case of sugar the accepted norm was 1.5 kg per month), for the remainder of the goods the accepted norm was a quantitative consumption per household with an average income of 24-30,000 zloty per year. Therefore, the calculated expenses for the purchase of basic food articles, fuels and energy, to include central heating and hot water, must increase from the current 665.00 zloty per month (until 1982) to 1,317.00 zloty when the new prices are introduced.

One cannot avoid the questions which suggest themselves here. Why is it that the accepted norm is a household where the monthly income is 2-2,500.00 zloty per month when -- as W. Pruss writes -- such households comprise 20 percent of total population, while 60 percent of households have higher incomes? Why is the sum of 665.00 zloty per month so stubbornly adhered to, which by current prices is laughable, one has only to read some letters to the editor where people spell out exactly their expenses, to include pensioners receiving some 2,500.00 zloty per month? Those are the questions generally asked and they cannot be left unanswered.

In presenting the stipulations of the compensations system W. Pruss proposes full compensation for increased expenses, sometimes even with an overage for the worst situated groups, possibly high compensation for children and non-working women, a differentiation of the size of compensation respective to the size of the income, pension or annuity, an introduction of a principle of payments of a part of the compensation in the form of national stability bonds, to people with higher incomes, pensions or annuities. And again, some doubts present themselves here. Does it mean that a full compensation, for persons in the worst situated group, indicates that those people should be happy with the price changes? Is it really fair to treat equally those who work and those on pension, whose incomes maybe equal today but who have diametrically opposing perspectives? What kind of a compensation are national debentures to people of advanced age? Would it be unthinkable to issue voluntary national bonds instead of making them in form of a deduction from a compensation?

There are several versions of compensation presented for discussion, here are two of them:

Versions:	Compensation rate in zlotys according to level of				
	monthly income				
	up to 3,500	from: 3,501 to: 7,000	7,001 10,500	10,501 14,000	over 14,000
Version A					
including:					
cash.....	1,350	1,050	900	700	500
bonds....	----	250	350	500	600
Total	1,350	1,300	1,250	1,200	1,100
Version B					
cash only	1,350	1,100	700	400	200

Even the compensation for non-working women and for children are proposed in many versions -- uniform compensation in the amount of 900-1,100 zloty per month, or different compensation for children according to age, income per family member depending on one, two or more children. It is also foreseen that tradesmen and workers of shops will gain their compensation by adjusting their prices for their products and services of the trade (that is from our pockets), and that people who live off their own agricultural enterprises -- by adjusting their prices.

None of the price increases evoke outright enchantment. These changes, introduced during a period of crisis, create particularly great doubts. Our introduction of this concept to public discussion should make it possible to conduct the necessary reforms with a measure of public acceptance.

END OF

FICHE

DATE FILMED

30 OCT 81

~~Aj.~~ D.D.

